



North Carolina Department of Health and Human Services

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Michael F. Easley, Governor

Carmen Hooker Odom, Secretary

November 29, 2006

Ms. Patricia Daniels
Supplemental Food Programs Division
Food and Nutrition Services, USDA
3101 Park Center Drive, Room 528
Alexandria, Virginia 22302

Dear Ms. Daniels:

Attached you will find comments from North Carolina WIC Program on the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC): Vendor Cost Containment Interim Rule. We appreciate the opportunity to respond to the interim rule and hope the US Department of Agriculture finds our comments useful.

Sincerely,


Carmen Hooker Odom

c: Alice Lenihan, MPH, RD, Head
Nutrition Services Branch

Enclosure



North Carolina Comments on the Special Supplemental Nutrition Program For Women Infants and Children (WIC): Vendor Cost Containment Interim Rule (7 CFR Part 246)

1. Definition of Above-50-Percent Vendors

Recommendation:

The North Carolina WIC Program recommends that FNS use 70% as the appropriate level of WIC sales to differentiate this group of vendors. This would enable convenience stores that carry a wide variety of foods and never intended to be a "WIC-Only" vendor to remain "regular" vendors.

In North Carolina, 70% of WIC redemption is at corporate stores. Since the state average is used to establish the maximum reimbursement level for "above-50-percent" vendors, stores that fall into this category need to set prices comparable to those of large chains. As a result, small grocers/convenience stores could have problems generating enough revenue to stay in business. This is evidenced by NC losing 75% of our "above-50-percent" vendors during the first quarter the new cost containment regulations were implemented. This type of situation has potential to lead to inadequate participant access. Raising the percentage of WIC sales to 70% would reduce the possibility of this occurring.

2. "Comparable" versus "Regular Vendors"

Recommendation:

The wording in the final rule must be very clear in defining "comparable" and "regular" vendors. Our above-50-percent vendors initially thought they could be paid no more than other vendors in their peer group. However, cost neutrality requirements prohibit State agencies from paying above-50-percent vendors more than the statewide average of **all** vendors. "Comparable vendors" must be defined very clearly.

3. Average versus Weighted Average of each Food Instrument Type

Recommendation:

States should have the option of using the average or the weighted average. North Carolina has incurred significant costs for systems changes to comply with the provisions of the interim rule and will continue to incur costs in maintaining this system. We would like to minimize any further system changes.

4. Cost Neutrality Standards

Recommendation:

North Carolina has 1,200 different food instrument types, most of which have very limited redemption. The analysis all of these food types to determine cost neutrality would be counterproductive. States should be allowed to use a sample that includes at least 80% of the most commonly used food instruments to compare against the statewide average cost for those food instruments in determining cost neutrality. The focus needs to be placed on the cost of the most common food instruments.

5. Administrative Costs

There have been significant administrative costs associated with implementing and maintaining the interim rules on vendor cost containment. Extensive system changes have been made by our Division of Information Resource Management (DIRM) programmers as well as our bank services contractor which resulted in additional cost in complying with the cost containment provisions. Additional ongoing bank service charges have also been incurred. We estimate that at least one-half of a staff position will be needed to manage the ongoing reporting requirements.

S:wic/vendor/draft comments on interim rule 11.27.06