

Goals 2002 Section VI Financial Management

SECTION VI

Financial Management

Refer to WIC Procedures Manual Section 600
WIC Operations Manual Section 6

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VI

FINANCIAL MANAGEMENT SYSTEM

(Procedures - 600, Operations - 6)

Goal:

Cost Containment

Objective 1: To complete each fiscal year with food expenditures within five tenths of one percent of the Federal Grant, including utilization of any funds conserved through food cost containment savings, or added by local sources.

Evaluation - Per participant food costs have increased 4% in FY 2001. Revisions in the WIC Approved Food List have restricted milk selections to least expensive, added private labels cereals and removed refrigerated juices.

Plan: With the implementation of the new Vendor Management software module, food cost analysis will be expanded and include peer group comparisons. Continue efforts.

Limiting High Cost Food Items

The prices for certain types, brands and packages of allowed foods significantly exceed the prices for nutritionally equivalent products, even allowing for maintaining of reasonable participant choice.

Objective 1: Review the current WIC allowed food list and WIC eligible foods for cost, availability, consumer preference and nutritional value. Select cost effective WIC eligible foods that would meet the needs of WIC participants.

Evaluation: WIC eligible foods were reviewed for inclusion on the RI WIC Allowed foods list. Focus groups with participants determined that the additional of private label cereals would enhance the perceived value of the WIC food list.. The addition of “least expensive milk” was considered a neutral issue. Implemented the new WIC allowed food list to enhance cost containment while using the new list as a marketing tool to retain current WIC participants and promote the value of the WIC food benefit package among applicants.

Plan: Continue food review efforts.

Food Price Reduction Initiatives

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Infant formula manufacturers have reduced the cost of infant formula to WIC programs significantly by paying rebates on a portion of the sales price to the WIC Program. Under current federal law, such rebates can be used not only to provide food benefits for additional participants but also to purchase breast pumps. In Rhode Island, choice of infant formula for over 96% of WIC infants has been limited to the rebate contract products of one manufacturer, to achieve the greatest cost savings. This has allowed RI WIC to serve almost 6,000 additional people. It would seem prudent to explore rebate cost savings for other foods, even if it meant some restriction of brand choice.

To the extent that a WIC foods cost containment system may place constraints on participant choice, it will be necessary to work closely with the participants and vendors in order to establish the most beneficial system; balancing off patient choice and convenience, impact on vendors, financial implications and opportunity for services to additional needy persons.

Objective 1: Solicit comments on proposed methods of containing costs of WIC foods concerning the impact on health/nutritional needs of participants, effects on Program attractiveness, increasing the number served through reducing costs and the relative merits of different methods and the present purchase system.

Objective 2: Solicit and evaluate the comments of medical and nutritional professionals, participants, vendors and others and secure the acceptance by such groups of a WIC foods cost containment process

Objective 3: To make a determination whether the adoption of a cost containment system is in the interests of the Rhode Island WIC Program, both in the short and long terms.

Plan: Continue comment and evaluation process in the finalization of the WIC Allowed Foods List. Once implemented, track the impact of the changes on food costs, participation rates and retention rates.

If a determination, following thorough evaluation, is made to adopt food cost containment rebate initiatives, the following objectives will be pursued:

Objective 4: Determine which WIC food types (ex. cereal, juice, peanut butter, etc.) lend themselves to cost containment by limiting which can be purchased to those for which a rebate or other cost reduction can be achieved.

Objective 5: Based on an analysis of all information available, and best administrative judgment by the state agency, request for proposal specifications will be issued concerning food cost containment methods.

Objective 6 : Selection of the cost containment system which best meets client needs, in light of the most efficient and effective administration of the Program.

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- Objective 7 :** Evaluation of client nutrition and health factors and establishment of guidelines to ensure that needed foods are available.
- Objective 8 :** Prior to implementation of the system selected, a final decision, based on a review of all available information and relevant factors, to adopt cost containment will be made if determined to still be in the best interests of the RI WIC Program.
- Objective 9 :** Implementation of cost containment system
- Objective 10:** Periodic review of the operation of the cost containment and state agency decision on system adjustments, revisions or termination as appropriate.

Description of Cost Containment Initiative

The Rhode Island WIC Program is proposing to adopt specific guidelines and criteria for selecting limited food brands for purchase in the Rhode Island WIC Program. Such guidelines and criteria will implement the relative cost criteria for selection of WIC Allowed Foods mentioned in the State Operations Manual, Section 4. This proposal is also in accordance with the State Plan provision for review of WIC Allowed Foods for inclusion of additional items or removal of items that do not meet state criteria.

The Department is proposing a method of selecting food brands for inclusion as WIC Allowed Foods by which the most efficient and effective brand selection and cost containment system for the WIC Program can be derived through the options described later. In addition, the Department wishes to distribute standard foods through the retail distribution system.

By this method of selecting food brands based on relative cost, the Department seeks to expand its services to serve currently unserved, but eligible, populations. This would be accomplished through either a Sole Source or Multisource rebate system, or a combination bid of these, and other methods.

The state may offer manufacturers of WIC foods the opportunity to bid on a sole source and/or multisource rebate systems. Comparisons shall be made among all bids received and based on these comparisons, the decision will be made whether to adopt a sole source system, or a multisource system. The Division of Purchases has indicated that such bids may be issued by the HEALTH. The rebate bid process and the operation of the system shall be as follows:

Sole Source Rebate System

For a specific food type, or form or composition, the product(s) of only one manufacturer will be designated as the primary brand(s) for purchase in the WIC Program. The designation will be based upon the rebate bid which will yield the lowest net cost for the food type taking into account the amount of the rebate bid, the wholesale price and future cost guarantees, participant acceptance, variety of types and choices, statewide availability and established market share.

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Multisource Rebate System

The products of all manufacturers for which the Rhode Island WIC Program receives a minimum acceptable rebate amount or price reduction or which do not have a cost/price above a stipulated level, would be authorized for purchase with WIC checks. Manufacturers will be billed for purchases of that manufacturer's brand(s) in accordance with documented market shares. The state shall make such determinations needed to resolve any market share differences of varying documentations submitted.

A manufacturer may bid, and be awarded, a market share which exceeds its documented market share.

Award(s)

A. Sole Source Bid:

All sole source bids will be compared to each other and the bid yielding the lowest net cost for a stipulated minimum variety of the foods.

B. Multisource Bid:

1. If a multisource bid is also sought, the lowest net cost sole source bid shall become the standard against which all bids received for any multisource option will be compared.
2. All multisource bids will be evaluated and a determination of combined costs will be made based on the bids, wholesale prices, future cost guarantees and the bidders' market shares.
3. Both the sole source and the multisource bids being evaluated will be further adjusted for identified costs and savings related to the sole source system in the one case and the multisource system in the other to determine for each system a total annual food type system cost. The total annual system cost for sole source and multisource will be compared to see which system and bid(s) will be implemented, provided the bids assure a satisfactory variety of product.

C. Awards

To select allowed brands, sales data or a participant survey will be consulted in making a final determination. Contractual Agreement(s) will be entered into between the state and the manufacturers awarded the bid(s).

D. Refusal of Bids

The State may refuse all bids if the responses are inadequate to achieve the objectives of this

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Initiative and cancel, postpone, revise or retry the Initiative.

Alternative Proposals and Methods

The state may accept and consider alternative cost containment proposals during the state plan comment, proposal development, and bid period. The State will consider such alternative proposals if equivalent or better as to the cost containment savings, contribution to the stability of the Program, safeguards and other such factors related to the efficient and effective administration of the Program. The method of consideration of such alternatives and comparison against the sole source/multisource proposal in this State Plan will be determined by the State depending on the nature of such alternative proposal(s).

In addition, the State will exclude from approval any product whose cost or price exceeds a stipulated amount or percent above the average cost or price for the products of its type which meet all the WIC food criteria.

WIC Foods to be Procured.

Adult cereal
Infant cereal
Juice
Peanut butter

All companies known to the Office of Women, Infants and Children to manufacture foods meeting the requirements of the invitation to bid will be offered an opportunity to bid.

Accountability System.

The number of units to be rebated will be determined from the monthly check reconciliation which lists checks redeemed during a given month.

The reconciliation covers checks paid during the preceding month. Bills based upon checks paid will be prepared and sent to the contractor(s) by the end of the month in which the reconciliation is received. The contractor will submit payment to the Department within fifteen calendar days of the date of the Department's invoice. A penalty, as stipulated in the contract, will be charged on any unpaid balance until such time as payment is received the Department.

Conversion of Funds to Administrative and Program Services Funds.

Once FNS has approved this State Plan the state agency may begin converting funds for each participant served on a monthly basis over the FNS projected average monthly anticipated level established by the Administrative Funding Formula. The proportion of money to be converted to Administrative and Program Services Funds shall be in accordance with federal regulations and directives.

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Local Agency Allocation.

At such time as appropriate the state agency shall notify local agencies of authorized caseload expansion based on rebate income. Such authorizations may be either a fixed authorized number or permission to expand on a "subject to further notice" basis.

Administrative and Program Services reimbursement will be based on the number of the authorized additional persons actually enrolled.

Program Income

State law has established fines for violation of program rules by vendors, participants or other parties. Procedures will be put in place for restitution by participants of program funds obtained through fraud or misinformation. Fee schedules for vendor authorization and excessive monitoring activities will be investigated.

Objective 1: Establishment of policies for instituting claims against participants for funds received through fraud or misinformation.

Objective 2: Establishment of policies for imposition of fines for fraud or abuse of the program by any parties.

Objective 3: Investigation of establishment of a fee schedule for vendor authorization activities such as application fees, enrollment fees, renewal fees and fees for monitoring activities following a final warning of a violation.

Administrative Funding Formula

In order that local agencies can anticipate stability of the basis on which their funding is calculated, the state will maintain the same administrative funding formula as outlined in the previous State Plan. From total available administrative funds, up to 63% of the basic grant, including any negotiated amounts, will be allocated for local agency administration.

Utilization of State of Rhode Island Appropriation

For state FY 2002, no State appropriated funds are expected.

Since 1995, state funds were made available for food and administrative costs of the Farmers' Market Nutrition Program. In the event that other than Federal funds are again made available to supplement the Program, such funds will be received, allocated, expended and accounted for in accordance with the legislation or executive directive making the funds available, or the conditions of any non-government grant. In addition, such funds will be managed in accordance with applicable

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federal and state laws and rules. In particular, such funds will be utilized in conformance with the provisions of this State Plan of Operation and Administration.

State appropriated funds may be used either for WIC or Farmers' Market services.

Internal Controls And Reporting

Goal: To pilot electronic transmission of WIC local agency monthly expenditure reports as a means to facilitate processing of payments and to reduce maintenance of paper backup of reports.

Objective 1: Develop electronic filing mechanism for local agency reporting of WIC Monthly Expenditure Reports - Nutrition Services and Administration

Plan: A new financial management module for the WIC Program will be developed by PDA, Inc. The new module will include a compatible function to transfer data from agencies who wish to bill monthly expenditures electronically. The local agency must retain the source documents that it uses to complete each monthly expenditure report for review and audit purposes. A signed report must remain on file and be available upon request.

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AUDITS (Procedures-622, Operations-6)

The Regional Inspector General for Audit, Department of Health and Human Services, has been designated as the Cognizant Audit Agency for the State of Rhode Island with respect to the major compliance programs.

In Rhode Island, the State Office of the Auditor General is responsible for annual audits of the WIC Program in conjunction with audits of other significant federal programs. Either the Auditor General or the Bureau of Audits may actually conduct the audits.

Objective 1 - Collaborate with the OAG re: required single audit requirement.

Evaluation: The draft Audit Report for State FY '00 has been received. Findings and recommendations have been addressed as set forth in the Audit response.

Plan: Prepare for FY '01 audit cycle focusing on areas previously cited.

Objective 2 - Review the audit reports and management letters of independent audits performed for local agencies.

Plan: Findings from audit reviews will be addressed as appropriate to ensure that all federal and state financial requirements are met.

Evaluation: A review of the FY '00 findings of an independent audit for each local agency was scheduled and 10 of 12 received to date.

General Administration

Local Agency financial staff have expressed an interest in state-provided training the area of WIC Program funding and expenditure policies and procedures.

Objective 1: To plan and hold a WIC financial management seminar for local agency finance administrators and/or finance staff to review financial management issues relating to WIC Program reimbursement. This meeting will be one-half day in length and will be education and training oriented.