

December 22, 2014

REQUEST FOR PROPOSALS

2015 WIC Conceptual White Papers

Behavioral Economic Opportunities for Controlling Food Costs While Maintaining Program Effectiveness

Funding for the Period from April 1, 2015 to December 31, 2015

Deadline for proposal receipt: February 13, 2015 by 5:00 pm EST

Purpose

The BECR Center seeks proposals for Conceptual White Papers aimed at providing innovative behavioral economic approaches to improve the food cost-management of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program, while maintaining program participation and effectiveness in promoting improved diets of participants.

The Duke-UNC USDA Center for Behavioral Economics and Healthy Food Choice Research (BECR Center)

The newly funded USDA Center for Behavioral Economics and Healthy Food Choice Research (BECR) at Duke University and the University of North Carolina – Chapel Hill strives to apply behavioral economics theories and concepts to uncover potential interventions to improve food choice behaviors contributing to improved nutrition, food security, and the health of American consumers, and to increase the effectiveness of policies and programs designed to improve diets, especially for low-income households. The team will build the field of behavioral economics around food consumption choices with a particular focus on identifying the most successful levers required to motivate healthy food choices and quantifying their effectiveness with regard to the individual consumer, food retailers, and the food industry. The Center has three areas of focus: WIC, the Supplemental Nutrition Assistance Program (SNAP), and the general population. With this Request for Proposals, we are seeking external investigators to propose conceptual white papers addressing the behavioral economic opportunities for controlling food costs in WIC while maintaining program effectiveness.

Background on the WIC Program

The *Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)* provides supplemental food, nutrition education (including breastfeeding promotion and support), and referrals to health care and other social services to low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, and to infants, and children up to 5 years of age who are found to be at nutritional risk. The program is administered by the U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS) and provides Federal grants to States. Over 8 million women and children participate in WIC each month. Widely recognized as one of the most successful food and nutrition assistance programs in the United States, WIC is based on the premise that early intervention during critical times of growth and development can help prevent future medical and developmental problems. WIC serves as an entry point for early nutrition and health care intervention for a large number of

the Nation's infants and children. On average, over half of all infants in the United States, and over a quarter of all pregnant and postpartum women and children younger than 5 years of age, participate in the program each month.

Food packages are the cornerstone of the program, accounting for about 70 percent of total program costs, or nearly \$5 billion in 2013. The foods included in the food packages are high in nutrients determined to be under-consumed in the diets of the target population. There are seven food packages containing various combinations of foods designed to meet the specific needs of each participant category. Participants receive food instruments in the form of checks, paper vouchers, or electronic benefits transfer (EBT), which they then exchange for supplemental foods at WIC-authorized retail stores. All states are moving toward providing WIC benefits through EBT, with 10 States already fully implementing EBT for WIC (see which states here: <http://www.fns.usda.gov/wic/wic-ebt-activities>).

Unlike SNAP, where participants receive a set amount of funds to purchase whichever allowable foods they would like, WIC provides participants with food instruments to obtain a monthly package of specific foods (without a set dollar limit) (for details on the types and quantities of foods provided in the various food packages, see <http://www.fns.usda.gov/wic/wic-food-packages-maximum-monthly-allowances>). In States that use paper vouchers, participants receive several vouchers, each typically listing a combination of foods. For example, a WIC participant may receive a voucher for two gallons of milk, a dozen eggs, and a loaf of whole-wheat bread, another voucher for a gallon of milk and 36 oz of cereal, etc. The WIC participant goes to a WIC authorized store, finds the WIC allowed item(s) listed on the voucher(s) that meets the criteria, takes the item(s) to the check-out clerk, and gives the voucher to the clerk. Some States require participants to purchase all the foods listed on the voucher; in other States, participants do not have to purchase all the foods listed on each voucher, although they forfeit any item not purchased at the time the voucher is redeemed. In States with EBT, the process is similar, except that all of the food benefits are loaded on the EBT card, and participants have greater flexibility, in that they are not constrained by having to purchase certain bundles of food at the same time, but can purchase food items separately at any one time. The vendor then bills the state and is reimbursed for the cost of the WIC item(s). Two WIC participants with the same food package within the same state could incur different food costs for the state depending on what store they frequent, the brands and/or package size they select, and the prices at that store.

Also unlike SNAP, WIC is not an entitlement program, and the number of people who can be served may be limited by funding levels established by Congress on an annual basis, although this has not happened in recent years. Thus, a primary interest within WIC is how to incentivize lower food costs without adversely affecting participant and benefit delivery. Average monthly food package costs differ considerably across WIC State agencies, across store types, and across authorized foods available within a store. For the past several years, Texas has had the lowest average monthly food package cost (\$26.46 in FY 2013, compared with \$46.05 in California, \$50.18 in Louisiana, and \$54.71 in New York) (<http://www.fns.usda.gov/wic/wic-funding-and-program-data>). Some of the food cost differences may be due to factors that are outside of a State agency's control, such as the general food price level, or, since food package costs differ across participant categories, caseload composition (i.e., mix of women, infants, and children served). An analysis of interstate differences in WIC food package costs concluded that interstate price differences play an important role in explaining differences in WIC food package costs, and that caseload composition plays a secondary role (for additional details, see <http://www.ers.usda.gov/media/849885/fanrr41.pdf>). Some differences in food package costs may also be due to the State agency's ability to negotiate a favorable rebate contract with the manufacturers of infant formula, or to negotiate with Medicaid to cover the cost of special infant formula. However, some of the food cost differences are likely related to the State agency's policies regarding the number and types of WIC-authorized stores, or the types, brands, and package sizes of foods to allow in their food lists. Texas, for example, requires most WIC items to be the least expensive brand. It should be noted, however, that the above-mentioned analysis of interstate differences in WIC food package costs also found that the same cost-

containment practice generated different cost reductions across States. This is due, in part, to the fact that cost-containment practices only generate cost reductions if they impose constraints on WIC participant purchasing behavior. For example, if the majority of consumers prefer to buy milk in gallon containers, then imposing a cost-containment practice restricting purchases to gallon containers will not generate significant cost savings. Because consumer preferences vary across States, the degree to which cost-containment practices actually constrain participant behavior will also vary, as will the effectiveness of cost-containment practices to generate cost savings. An analysis of WIC food costs estimated that, in FY 2010, 20 percent of post-rebate food costs were attributable to infant formula, another 20 percent to milk, 13 percent to fruits and vegetables, 11 percent to cereal, and less than 10 percent each for all other food items (see <http://www.fns.usda.gov/wic-food-package-cost-report-fiscal-year-2010>).

Since WIC participants do not pay any out-of-pocket costs for their WIC food benefits, they may have little incentive to pay attention to the price of the products on their food instrument. There are no data on the extent to which price factors into WIC participants' selection of food package items. Anecdotal evidence suggests that severely limiting participants' food choices to less expensive items could reduce participants' satisfaction and program participation, reducing program effectiveness. Limiting WIC food options too strictly may also have the potential to increase costs to WIC if retailers perceive the item to be mainly purchased by its price-insensitive WIC customers, despite WIC vendor management practices that aim to keep food prices competitive (see <http://www.ers.usda.gov/publications/err-economic-research-report/err171.aspx> and http://ageconsearch.umn.edu/bitstream/124927/2/AAEA_Selected_Paper_645.pdf).

More background information on WIC and cost-containment measures can be found at the end of this document under *Resources*.

Conceptual White Paper Proposal Request

The WIC program brings together three key sets of 'players' – participants, retailers, and program operations. Conceptual White Papers are requested to consider innovative uses of behavioral economics to tackle the issue of WIC food-cost management among these three sets of players. The white papers should use the behavioral economics and marketing literature to explore potential behavioral explanations for decisions with food cost management implications while also considering innovative applications of behavioral economics methods that could be used to incentivize one or more of the WIC-related 'players' to lower WIC food costs. Behavioral economics recognizes that people and organizations do not always make rational decisions, and thus aims to explain how and why people make the (rational and irrational) decisions they do. Behavioral economists have shown that small changes in the environment or in the context of a decision can strongly affect the outcome of that decision. By examining cognitive, emotional, environmental (for example, the retail environment), and social aspects of the decision-making process we hope that the white papers will lead to creative strategies that result in lower-food costs in WIC without adversely impacting participant satisfaction, program participation, or nutritional outcomes.

White papers should identify and examine such opportunities that might be feasible and promising to implement within existing program rules and regulations. White papers can address the issue from any angle (e.g. with regard to program participants, program retailers, food manufacturers, and/or program administration.) These conceptual white papers would also describe some of the likely challenges associated with implementing the innovative methods, and propose a pilot that could be undertaken if funding is available, as, for example, through the small grant program that will also be administered by BECR in 2015.

Possible conceptual white paper topics might include but are not limited to topics with these three players:

Participants

- Whether WIC participants consider price,
- Whether WIC participants make different food decisions when using WIC benefits versus using other payment options (such as SNAP or cash),

State Agencies/ Program Administration

- Whether different state-level decisions regarding foods to include in their benefit packages; types of stores to allow as WIC vendors; and other practices have implications for food-cost management and program participation,

Retailers/ manufacturers

- Whether retailer practices concerning choice of foods to stock, and signage or other marketing practices influence WIC food choices,

Across all three

- What types of nudges might be effective in reducing food costs without adverse program impacts.

We are looking for papers that review the literature or conduct analyses of existing data, and propose innovative strategies that flow from the literature reviewed and/or data analyzed. We are expecting that the white papers will result in clearly presented ideas for innovative interventions, based on behavioral economics theory, that are feasible within the current WIC environment without major policy changes. Suggestions for changes that State agencies can implement without legislative action are encouraged. We are not necessarily expecting new data collection or testing of strategies or interventions, however formative qualitative data collection can be proposed.

We expect that findings will be ready to present in August. White paper award recipients are expected to attend a one-day *WIC Food-Cost Management Roundtable* in Washington, DC in August 2015. The funded white papers will be presented in two 3-hour facilitated blocks with discussants summarizing findings and posing questions after each block of presentations. Applications must consider travel funds to attend this roundtable in their budget with a limit of up to two members from each white paper team whose travel costs will be covered by the BECR Center up to a total of \$1500. Breakfast and lunch will be provided during the roundtable.

We expect that the white papers will be finalized following the Roundtable, based on the discussions held during the Roundtable. The final papers should be suitable for publication on the BECR website as a curated series, and we expect them to appear in a special issue of a related field journal. The final papers are expected to be approximately 7000 words in length, excluding references and tables.

Total Awards

Up to *six* White Papers will be selected for funding. Each honorarium will be in the amount of \$5,000 over a nine-month period from April 1, 2015 – December 31, 2015 plus up to \$1,500 in travel expenses to attend the Roundtable in Washington, DC. (Please note that the funds are federal dollars and travel should be done in the most cost effective way).

Eligibility Criteria

- Applicants can be researchers at institutions of higher learning, private research enterprises, state or local public health practitioners, and programmatic staff. Funds will be granted in the form of honorariums to individuals. Multiple individuals collaborating on one paper can split an award.
- Applicants are encouraged from a broad range of disciplines including, but not limited to, economics, public health, nutrition, marketing, business, psychology, or a related field. The BECR Center is dedicated to supporting emerging researchers. Thus, some preference will be given to emerging researchers in the food policy and behavioral economics fields, defined as individuals who received a doctoral degree within the last ten years prior to the date of the award or those new to the field of behavioral economics or the application of behavioral economic techniques to healthy food choices. The BECR Center embraces diversity and inclusion across multiple dimensions, such as race, ethnicity, gender, disability, age, sexual orientation, and socioeconomic status.
- Applicants must be based in the United States or its territories.
- The applicant should demonstrate an understanding of the WIC program.

Application Instructions, Process and Selection Criteria

Applications are due by **Friday, February 13, 2015 by 5:00 pm EST**. Applications should include a detailed plan, including:

- The title of the proposal
- Names and affiliations of the Principal Investigator and other collaborators and a short description of their roles in the white paper's development
- Project summary
- Paper outline focusing on the specific topics being addressed in the white paper including a clear statement of policy relevance

Each application should be no more than *four* (4) pages, 1.5 spaced with 1-inch margins and 12-point font, not including references, appendices, and curriculum vita of key personnel (resume, CV, or biosketch is acceptable). Please keep supplementary materials as concise as possible to facilitate a fast review process.

Complete applications should be converted to PDF and submitted via email, all as one document (research plan, references, appendices, and key personnel information). Please submit your completed application to:

Molly De Marco, PhD MPH at molly_demarco@unc.edu (cc: becr@duke.edu).

For questions related to this RFP please contact Dr. De Marco at (919) 966-9563.

Selection Criteria

1. Demonstration of an understanding of the WIC program and a grasp of the issues surrounding cost management and impact on participation in WIC.
2. A clear explanation of the link to behavioral economics.
3. A clear proposal for innovations to be tested that are feasible in the current WIC environment without requiring major policy changes. We are looking for a wide variety in paper focus (not just focused on WIC participants, and particularly encourage discussion related to retailers/manufacturers and program operations).
4. The qualifications and experience of personnel, including demonstrated familiarity with the literature and behavioral economics theory.

Within the first two weeks of award, a conference call may be held between each awardee and BECR staff to review the White Paper plans and address any questions. Periodic check-ins will also be scheduled during the 9-month grant period.

Award decisions will be made and notifications sent by *March 31, 2015*.

The selection process and decisions on all awards will be made by the BECR Center Director, Matthew Harding, Ph.D., assisted by the Center's assistant director and faculty collaborators.

IMPORTANT DATES

- Applications due: *February 13, 2015*
- Award decisions announced: *March 31, 2015*
- Roundtable conference in Washington, DC: *August 2015*
- Final white paper due: *December 18, 2015*

Resources

WIC Background, Issues and Trends, 2009 (<http://www.ers.usda.gov/publications/err-economic-research-report/err73.aspx>)

*update expected in early 2015 at www.ers.usda.gov

Cost Containment in the WIC Program: Vendor Peer Groups and Reimbursement Rates. Tina L. Saitone, Richard J. Sexton, and Richard Volpe. Economic Research Report No. (ERR-171) 37 pp, August 2014. (<http://www.ers.usda.gov/publications/err-economic-research-report/err171.aspx>).

WIC foods cost more in smaller stores. September 2014. (<http://www.ers.usda.gov/amber-waves/2014-september/wic-foods-cost-more-in-smaller-stores.aspx>)

Interstate Variation in WIC Food Package Costs: The Role of Food Prices, Caseload Composition, and Cost-Containment Practices. David E. Davis and Ephraim Leibtag. Food Assistance and Nutrition Research Report No. (FANRR-41) 41 pp, January 2005. (<http://www.ers.usda.gov/publications/fanrr-food-assistance-nutrition-research-program/fanrr41.aspx>).

Prices dominate interstate variations in WIC food costs, February 2005. <http://www.ers.usda.gov/amber-waves/2005-february/prices-dominate-interstate-variations-in-wic-food-costs.aspx>

Assessment of WIC Cost-Containment Practices. Executive Summary. John A. Kirlin, Nancy Cole, Christopher Logan, and Phillip Kaufman. Food Assistance and Nutrition Research Report No. (FANRR-31) 32 pp, May 2003. (<http://www.ers.usda.gov/publications/fanrr-food-assistance-nutrition-research-program/fanrr31.aspx>).

Balancing food costs with nutrition goals in WIC. September 2003. (<http://www.ers.usda.gov/amber-waves/2003-september/balancing-food-costs-with-nutrition-goals-in-wic.aspx>)

FNS WIC Studies (<http://www.fns.usda.gov/ops/wic-studies>)

2013 WIC vendor management study (<http://www.fns.usda.gov/2013-wic-vendor-management-study>)

The WIC participant and Program Characteristics 2012: Food Package Report (<http://www.fns.usda.gov/wic-participant-and-program-characteristics-2012-food-package-report>)

Transition to EBT in WIC: Review of Impact and Examination of Participant Redemption Patterns. (<http://altarum.org/publications/transition-to-ebt-in-wic-review-of-impact-and-examination-of-participant-redemption-patterns>).

Policy memo #2014-3, Vendor Management: Incentive Items, Vendor Discounts and Coupons, <http://www.fns.usda.gov/vendor-management-incentive-items-vendor-discounts-and-coupons>

*Provides context for federal regulations and guidance for incentives/promotions by WIC authorized vendors, particularly section III, Equitable Treatment.

U.S. Department of Agriculture, Food and Nutrition Service, Office of Policy Support. Fiscal Year 2010 WIC Food Cost Report, by Tracy Vericker, Chen Zhen, and Shawn Karns. Project Officer: Grant Lovellette. Alexandria, VA: August 2013. <http://www.fns.usda.gov/wic-food-package-cost-report-fiscal-year-2010>