United States Department of Agriculture

Food and Nutrition Service

Southeast Region

61 Forsyth St. S.W.
Room 8T36
Atlanta, GA
30303-3415

January 5, 2021

Mary Anne Burghardt, MS, RD, LDN
Nutrition Services Branch Program Director
Division of Public Health, Nutrition Services Branch
North Carolina Department of Health and Human Services
1914 Mail Service Center
Raleigh, North Carolina 27699-1914

Dear Ms. Burghardt:

This letter is to confirm the approval of North Carolina's Special Supplemental Nutrition Program for Women, Infants and Children (WIC) Shelf Price Collection Requirement Exemption request effective December 22, 2020. The Food and Nutrition Service (FNS) appreciates all of North Carolina's hard work and efforts put toward the development of this exemption request.

This exemption will remain in effect until North Carolina WIC no longer meets the conditions on which the exemption was based, until FNS revokes the exemption, or for three years, whichever occurs first, as set forth in §246.12(g)(4)(ii)(B). This approved exemption will expire on December 22, 2023. A new Shelf Price Collection Requirement Exemption request must be re-submitted to FNS for approval at least 60 calendar days prior to this expiration date. The FY2021 State Plan must be revised to reflect the approved Shelf Price Collection Requirement Exemption request.

If you have any questions, please contact Shirley Hopkins of my staff at (404) 562-7080.

Sincerely,

SANDRA BENTON DAVIS Digitally signed by SANDRA BENTON DAVIS Date: 2021.01.05 17:00:52 -05'00'

SANDRA BENTON-DAVIS
Branch Chief
Supplemental Nutrition Programs

cc: Kim Lovenduski
Tysha Grays

FNS 53-13 (NC) Vendor Management

WIC Vendor Management Exemption Request: Shelf Price Collection Requirement

WIC State agencies (SAs) are encouraged to use this worksheet to submit an exemption request to the Food and Nutrition Service (FNS). SAs should consult their respective Regional Offices (ROs) before submission. SAs should submit requests at least 60 calendar days before the anticipated implementation date.

An approved exemption remains in effect until the SA no longer meets the conditions on which the exemption was based; until FNS revokes the exemption; or for three years, whichever occurs first, as set forth in WIC regulation 246.12(g)(4)(ii)(B).

State Agency:	North Carolina	Date:	Nov 13, 2020
SA Point of Contact:	Tysha Grays	Title:	WIC Vendor Manager
Email Address:	Tysha.Grays@dhhs.nc.gov	Phone Number:	+1 (919) 604-5068

Has the SA ever had a Shelf Price exemption?

○ Yes ◉ No

If yes, what date did FNS grant the prior exemption?

Reason for requesting this exemption (choose one option from the list below):

The State agency has never requested an exemption from the Shelf Price Requirement before.

SECTION 1. Regulatory basis for the request.

1. Check the statements that best describe the SA's current vendor cost containment system. If either of these statements do not apply, consult your RO before proceeding.

☒ The SA has alternative methodology for capturing vendor prices and monitoring vendor compliance that is efficient and effective in achieving vendor cost containment.

☐ SA policies and procedures are not dependent on frequent collection of shelf price data.

2. Is the SA requesting this exemption due to the SA's implementation of an EBT system?

◉ Yes ○ No

If yes, what is the statewide EBT implementation date? May 9, 2018

3. Does the SA authorize above-50-percent (A50) vendors?

☐ Yes. (Section 4 is required.)

☒ No. (Section 4 is NOT required.)

SECTION 2. Proposal description.

In the space below, describe the alternative cost containment methodology.

The vendor cost containment system utilized by the North Carolina WIC Program uses the Solutran Online Account Reporting (SOAR) platform to capture prices submitted (redemption) by vendors through EBT transactions. Five days

WIC Vendor Management Exemption Request: Shelf Price Collection Requirement

of redemption data is used to calculate a not-to-exceed (NTE) price in two ways: A. Per universal product code for organic/higher priced food items per peer group and B. Per food subcategory e.g., cheese, eggs, adult breakfast cereal, etc. per peer group for the majority of the authorized food items. The calculation is currently completed on a monthly basis. The NTE price is equivalent to the maximum allowable reimbursement level (MARL).

After in-depth analysis and review of NTE prices calculated, the State Agency will explore increasing the frequency of calculation to weekly or biweekly, if warranted. The NTE established for each food item is two standard deviations above the mean. This methodology for NTE calculation will be used for competitive pricing determination for vendor applicants.

SECTION 3. Justification and supporting documentation.
Please answer the questions below. If you are using Adobe Acrobat, please attach any supporting documentation/data by clicking, "Add Attachment," at the end of this section. If you are using Adobe Reader, please mention the documents in your responses and attach them to your email submission. All supporting documentation/data should have been collected in the past 3 FYs.

1. Describe how the SA will use the alternative approach or EBT data to:

A. Establish competitive price selection criteria (CPSC).

When an applicant applies to become a WIC authorized vendor, they will need to meet the competitive price selection criteria for their appropriate peer group. The applicant will need to submit a price survey with their application to determine if their prices are competitive. NC will use a market basket approach based on CPSC. The average market basket price per peer group will have two standard deviations applied. The applicant's market basket will be compared to their potential peer group's market basket to determine if they are competitively priced. Applicants who have prices per food subcategory within two standard deviations of the average for their assumed peer group will meet the competitive price selection criteria. Further, authorized vendors will have to comply with CPSC throughout authorization to ensure that their prices submitted are not raised above approved levels.

The market basket price, per peer group, will be calculated every six months using redemption data from EBT transactions. The vendor applicant's prices listed on their price survey will be compared against the market basket which will consist of ten items. In order to calculate average prices and standard deviations which are an accurate/reliable reflection of the retail market, the following redemption-related requirements will be employed: each peer group will have 30 vendors and at least 30 redemption request prices will be used per market basket item per peer group.

B. Apply CPSC to select and authorize vendors with the most competitive prices, while ensuring participant access.

The CPSC market basket calculation has two standard deviations applied to account for fluctuations in pricing and vendor applicants in areas where participant access is an issue. If an applicant has prices on their price survey within two standard deviations above the mean for their peer group, their prices will be deemed competitive. A vendor may be authorized that does not meet CPSC, if their store is necessary to ensure participant access. If a vendor applicant meets participant access criteria, but does not meet the CPSC for their potential peer group, the State Agency will inform the applicant and prices will be negotiated.

C. Ensure that authorized vendors' prices do not increase to levels that would make them ineligible for authorization.

Redemption data is captured on a continuous basis through transaction history. Vendors will be monitored by analyzing the amount of transactions processed that result in price adjustments because the prices submitted were over the NTE. Staff review the eWIC NTE Price Adjustments Report daily (see attached) to determine the

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number of adjustments for transactions over the NTE. Vendors who consistently have transactions over the NTE will be evaluated to determine if they are in the correct peer group. Vendors who appear to be in the correct peer group, but consistently have a high number of transactions that are over the NTE, will be evaluated for competitive price using the CPSC method. If a vendor consistently fails to meets the CPSC requirement, their Vendor Agreement will be terminated.

D. Establish maximum allowable reimbursement levels (MARLs).

MARLs, equivalent to NTEs in North Carolina, will be calculated by using redemption data from all vendors within the same peer group. Using the previous five days of redemption data, the calculated NTE for each subcategory per item will equal the average dollar value plus two standard deviations.

E. Apply MARLs to food instruments (FIs) or food items.

MARLs, equivalent to NTEs in North Carolina, will be applied to each subcategory per item during the eWIC transaction process. The calculated NTE for each subcategory per item will equal the average dollar value plus two standard deviations. Vendors will receive payment for each food item, up to the NTE set for each subcategory. NTEs will be calculated within Crossroads and sent to the eWIC processor via the MIS UPC/PLU file. The NTEs will be used by the eWIC processor to set the subcategory maximum price per item, per peer group, to be paid to the vendor for each transaction. A vendor cannot be paid over the NTE for any item for which payment is requested.

F. Conduct a routine analysis of the alternative cost containment system every 3 years.

The North Carolina WIC Program will conduct a routine analysis of the cost containment system every three years using the methodology outlined in the Altarum study.

2. If the exemption request is based on EBT implementation, describe how the SA will continue to capture shelf prices during monitoring and compliance investigations or by other means in order to ensure that EBT redemption requests do not exceed shelf prices.

The North Carolina WIC Program collects prices during routine monitoring visits and compliance buy investigations conducted at authorized vendor locations. Captured prices are compared to redemption data to ensure redemption requests do not exceed shelf prices. All vendor applicants must also submit their price survey to be considered for vendor authorization. The Vendor Monitoring Report and Compliance Investigation forms are attached for your reference.

If you are using Adobe Acrobat, please attach any supporting documentation/data using the add attachment button to the right. If you are using Adobe Reader, please mention the documents in your responses and attach them to your email submission.
Label each attachment with the question it corresponds to, (e.g. "Establish CPSC 3-1-A").

Add Attachment

If the SA authorizes A50 vendors, continue to Section 4 on the next page.

If the SA does not authorize A50 vendors, please review the form and ensure that all supporting documents are attached. Once the form is complete, click the "Submit by Email" button below to submit to FNS.

Save

Print Form

Click here to submit to your RO Vendor Manager: Submit by Email

WIC Vendor Management Exemption Request: Shelf Price Collection Requirement

SECTION 4. Justification and supporting documentation for SAs with A50 vendors.
You should only respond to the following questions if the SA authorizes A50 vendors. If you are using Adobe Acrobat, please attach any supporting documentation/data by clicking, "Add Attachment," at the end of this section. If you are using Adobe Reader, please mention the documents in your responses and attach them to your email submission. All supporting documentation/data should have been collected in the past 3 FYs.

1. Describe the methods the SA will use to compare A50 vendors' prices against regular vendors prices to:

A. Determine whether the A50 vendors have competitive prices.

Not applicable.

B. Establish MARLs for A50s.

If you are using Adobe Acrobat, please attach any supporting documentation/data using the add attachment button to the right. If you are using Adobe Reader, please mention the documents in your responses and attach them to your email submission.
Label each attachment with the question it corresponds to, (e.g. "A50 CPSC 4-1-A").

Add attachment

Please review the form and ensure all supporting documents are attached. Once the form is complete, click the "Submit by Email" button below to submit to FNS.

Save

Print Form

Click here to submit to your RO Vendor Manager: Submit by Email