



# **WIC Electronic Benefit Transfer (EBT) System Development, Implementation, and Expansion – 5-year Plan**

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# WIC Electronic Benefit Transfer (EBT) System Development, Implementation, and Expansion 5-Year Plan

## **WIC EBT Vision**

In line with current trends and the overall public acceptance and growing expectation of doing business and receiving services electronically, the Special Supplemental Nutrition Program for Women, Infants and Children Program (WIC) will continue its initiatives to successfully migrate from a paper-based food benefit delivery system to electronic benefits transfer.

## **WIC EBT Goals**

- Include WIC as an integral part of the national strategy towards modernizing and streamlining business practices through electronic solutions.
- Deliver WIC benefits and reconcile payments through an EBT system that minimizes costs at the statewide operational level.
- Improve client services through improved access to prescribed WIC foods, and to simplify the retail point-of-sale transaction for greater shopping convenience.
- Increase accountability and streamline program monitoring for States.
- Make WIC benefit redemption and payments more efficient and less costly for retailers.

## **Desired Outcomes For WIC EBT**

The USDA Food and Nutrition Service is committed to maintaining the integrity in nutrition benefit delivery while fostering positive outcomes for WIC stakeholder groups including participants, retailers, and WIC State agencies. The following is a list of identified positive outcomes in WIC EBT system solutions:

### **Participant Outcomes**

- Ability to purchase full food benefits within valid period
- Unrestricted number of shopping trips
- Convenient, easy and quick transaction
- Single transaction for all items purchased
- Secure transaction
- Discreet and confidential transactions
- Accurate listing of entitled/remaining benefits prior to and after shopping
- Increased time for nutrition education in clinic
- Improved targeted nutrition education based on redemption patterns

### **Retailer Outcomes**

- Participant purchases only WIC authorized foods
- Ensures foods are not improperly substituted
- Reduces cashier error and need for training
- Secure transaction
- Single transaction for all items purchased
- Timely claims and settlement
- Fast and easy operation
- Numerous activity reports for WIC EBT
- More trips to store by participant equals increased purchases
- Reduces paperwork by eliminating paper food instruments
- National standard process for WIC food coding and retail transaction processing

### **WIC State Agency Outcomes**

- Ensures participant receives prescribed foods
- Provides data on type and amount of foods purchased
- Allows for accurate rebate billing on infant formula purchased
- Ensure that retailer claims are no more than shelf price
- Secure transaction
- Timely and accurate claims
- Reduces the amount of time and effort spent on retailer compliance activities
- Reduces the amount of time and effort in monitoring and reconciling retailer overcharges
- Reduces forgery and fraud opportunities
- Increased accountability
- Reduces paperwork
- Numerous reports on EBT activity to improve administrative efficiencies
- Streamlined clinic operations; increases time for nutrition education

## Overview of WIC EBT Long Term Strategy

FNS will continue to pursue the expansion of WIC EBT through support and evaluation of current State WIC EBT projects, while testing the feasibility of technical alternatives in line with current trends in commercial retail transaction processing. FNS will remain technology neutral in supporting current and future WIC EBT initiatives. By 2008, FNS hopes to have national model(s) that are technically and financially viable for retail transaction processing for WIC EBT.

### Summary

- ✓ FNS will continue to support WIC State agencies currently planning, developing, implementing, and evaluating EBT systems. EBT system functionality to maintain nutritional integrity for food benefit issuance and redemption, and financial sustainability will continue to be FNS' top priority in the pursuit of a viable WIC EBT system solution.
- ✓ FNS will support the testing and implementation of alternative technologies for WIC EBT in line with current trends in commercial retail transaction processing. Alternative technologies for WIC EBT must maintain the nutritional integrity of WIC food benefit issuance and redemption and be sustainable within available funding, including the EBT differential.<sup>1</sup>
- ✓ To ensure consistent operating rules from State to State, a national WIC standard for retail electronic transaction processing has been developed for use by retailers. FNS will continue to promote WIC EBT operating standards, such as the X.9 WIC messaging format specifications, to standardize retail transaction processing, and to help reduce system design costs.
- ✓ Based on the results of WIC EBT pilots to date, FNS has not achieved cost affordability for EBT compared to the extremely low State cost of paper food instrument issuance and banking services. FNS will continue to evaluate costs for all projects to identify cost savings achieved through various technological solutions and procurement strategies. FNS will clearly identify other beneficial outcomes related to WIC EBT that improves client services.
- ✓ FNS will take steps to identify and secure additional sources of funding for State WIC EBT initiatives.

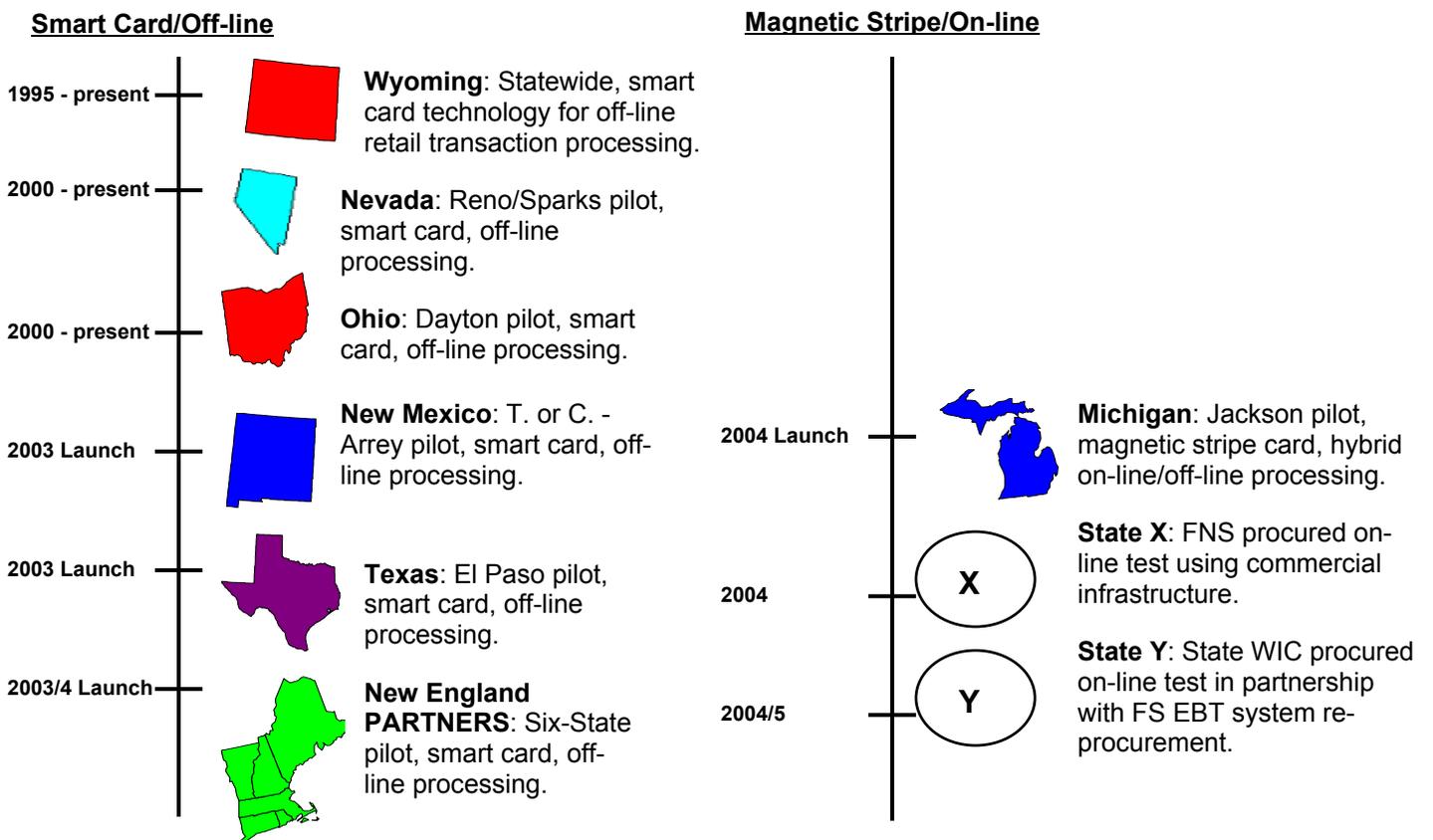
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<sup>1</sup> The EBT differential is the difference between a State's current benefit delivery (paper system) cost and the cost of operating an EBT system statewide.

Figure 1

## Strategic Paths

**2003 – 2008:** FNS will pursue WIC EBT through support of current State WIC EBT projects, while testing the feasibility of technical alternatives in line with current trends in commercial retail transaction processing. FNS will remain technology neutral in supporting current and future WIC EBT initiatives. By 2008, FNS hopes to have technically and financially viable national model(s) for retail transaction processing for WIC EBT.



**Track 1** – Continue to support current WIC EBT initiatives. By the end of FY 2008, States currently pursuing EBT will be operational statewide, if feasible.

**Track 2** – Test the viability of alternative technologies including on-line, real time point-of-sale transaction processing in line with commercial debit and credit transactions, and Food Stamp EBT transactions.

## Objectives for WIC EBT

### Objective 1:

#### Continue Pilots and Demonstration Projects

*Track 1 – As feasible, continue to support current WIC EBT initiatives. By the end of FY 2008, States currently pursuing EBT will be operational statewide.*

FNS will continue to provide EBT grants through an annual competitive grant award process to WIC State agencies that hold promise for statewide viability and system transfer. Annual WIC EBT grants can be used for planning, developing, implementing, evaluating, and expanding EBT systems.

- It is estimated that \$15-20 million annually in grant funds will be needed to support current initiatives through statewide implementation. Refer to Attachment 1 for the status of current projects. The level of funding estimated to support current initiatives through statewide implementation will necessitate additional budget authority.
- Once an EBT system is operational statewide, State agencies will be responsible for operational costs above the cost of issuing benefits using paper food instruments, which are **currently estimated** to be approximately \$2.00 per household per month (EBT differential).

*Track 2 – Test the viability of alternative technologies including on-line, real time point-of-sale transaction processing in line with commercial debit and credit transactions, and Food Stamp EBT transactions.*

FNS will obligate a portion of annual EBT grant funds to test the viability of developing and implementing a fully functional on-line WIC EBT system solution. FNS proposes to pursue two procurement approaches to accomplish the test of an on-line, real time WIC EBT system:

- 1) Establish an interagency agreement with the GSA Federal Technology Service Office and compete procurement through GSA for a WIC EBT on-line “proof of principle”. The selected contractor will work closely with FNS. If proven feasible, the demonstration will be expanded to include the design, development and implementation of a field demonstration of an on-line EBT system to include at least 1 WIC clinic, 300 WIC households, and 2 chains and 1 independent grocery store. In addition, FNS will procure services for an independent evaluation of this on-line test.
- 2) Identify a WIC State agency interested and willing to develop a Request for Proposals (RFP) as part of a Food Stamp EBT system re-procurement. The WIC State agency will work closely with the Food Stamp Program to develop the RFP, and to specify required functionality and system performance standards for on-line WIC EBT development and

implementation. Ideally, the WIC/FS on-line pilot will operate from 6 to 18 months, allowing time for an independent evaluation of the system. The joint WIC/FS RFP and resulting contract may specify that the WIC EBT on-line system be implemented statewide after a successful pilot evaluation.

**Objective 2:**

**Support the development of national standards including a) message and file formats for retail electronic transaction processing b) other WIC EBT system component protocols, and c) national UPC database and the food category coding scheme.**

- FNS, in cooperation with the National WIC Association (NWA), the Food Marketing Institute (FMI), the American Bankers Association (ABA), and the American National Standards Institute (ANSI), has developed and will implement a national WIC standard for retail electronic transaction processing.
- FNS will work with FMI, ANSI, and others to pursue additional opportunities to develop standard protocols for electronic message interchange, such as the messages between the EBT card and the EBT card reader.
- FNS will support the utilization among WIC State agencies of the national standard coding scheme for food categories, and the development and use of a national database of WIC-eligible foods and Universal Product Codes (UPCs). FNS will pursue partnerships with the FMI, ANSI, and others to develop and maintain these national standards.

**Objective 3:**

**Develop and test a WIC EBT system evaluation model designed for use in every State. The evaluation model will assess WIC EBT system performance and analyze costs to assist fair determination of whether State pilot systems should be continued or expanded in order to facilitate WIC's transition from a paper benefit delivery system to nationwide use of EBT.**

Through the success of WIC EBT projects to date, FNS has determined that WIC EBT is technically feasible and that it provides improvements in service to WIC participants, provides a more streamlined benefit redemption process for WIC authorized vendors, and improves accountability for WIC benefits both at the State and retailer levels. It provides excellent accountability of infant formula purchases as a basis for infant formula rebates. However, EBT system costs remain an issue in seeking to expand WIC EBT nationwide.

FNS will develop and test a national WIC EBT system evaluation model to gauge pilot WIC EBT system performance in each State including system cost and food benefit delivery outcome measures, regardless of the choice of technology utilized for WIC EBT (i.e. off-line/smart card or on-line/magnetic stripe card). This evaluation model will be usable in all States. The model will be practical while providing a reasonable and fair

basis for State and Federal decisions on whether to continue or expand WIC EBT systems as well as to help determine the scope and pace of WIC EBT system expansion.

**Objective 4:**

**Continue to provide Federal leadership by facilitating information sharing within the WIC EBT stakeholder community.**

FNS Headquarters and Regional WIC EBT staff will continue to increase information sharing and transfer of skills among WIC State agencies. FNS will make WIC EBT materials available via the FNS website, including best practices and lessons learned from State WIC EBT system evaluations. Information sharing may also include such initiatives as WIC EBT users group meetings, development and implementation of WIC EBT guidance, EBT system testing, and management/technical consulting. FNS will facilitate information transfer through national conferences as needed in cooperation with the National WIC Association (NWA), the Food Marketing Institute (FMI), the National Automated Clearing House Association (NACHA), the Electronic Funds Transfer Association (EFTA), and other stakeholders in WIC EBT.

**Objective 5:**

**Within 5 years, establish technical parameters for WIC EBT to allow nationwide implementation.**

FNS will gather information to sufficiently guide the national implementation of WIC EBT through:

- Monitoring and evaluating current smart card/off-line WIC EBT system expansion and operation, while monitoring the impact of food industry trends.
- Testing and evaluating alternative technologies including on-line, real time retail transaction processing utilizing the commercial infrastructure in place for debit, credit, and Food Stamps EBT.
- Keeping current with trends in technology development for the food retail industry as it applies to WIC EBT.

**Objective 6:**

**FNS will take steps to identify and secure sources of funding for State WIC EBT initiatives.**

FNS will continue to allocate a portion of the annual multi-purpose funds for State WIC EBT system development. FNS will also continue to pursue new budget authority for WIC EBT development, implementation and evaluation costs.