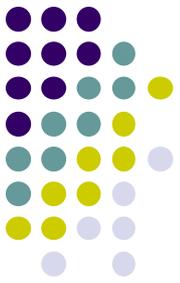


WIC EBT Cost Models



**WIC EBT User Group Meeting –
Tips for completing your Cost Analysis**

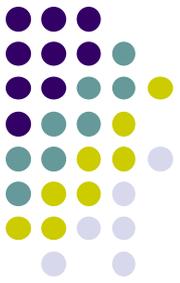


Cost Model Basics - 1



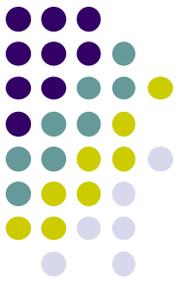
- Costs incurred (and captured in cost models) in layers
- Direct labor costs (wages and salaries) and direct non-labor costs (supplies, equipment, travel, et al) comprise the first layer
- Labor can be considered to be one layer or two, with Taxes and Fringes either being included in “loaded” labor cost in the first layer, or being added as the second layer

Cost Model Basics - 2



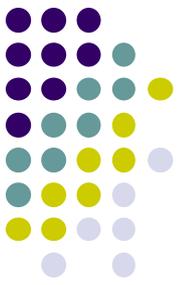
- Organization's actual costs of operations are captured in the General Accounting system, and again in the Cost Accounting System, in "cost centers" or "profit centers", or whatever description is adopted by your organization
- Direct costs normally are captured in the lowest level cost centers, with higher levels being composed more and more of "overhead" costs that are allocated to lower levels

Cost Model Basics - 3



- May be “overhead” costs in the lowest level cost centers, if the costs of first level managers are in those cost centers and if are counted as overhead
- Allocation decisions end up affecting how much cost is direct and how much is allocated indirect [not exactly the same as allocations of indirect cost in government]
- Ultimately, the cost model of your organization, as reflected in the cost accounting system or product cost system, is only as good as the sum of the allocation decisions that have been made, whether costs are attached to programs (e.g. WIC vs. SNAP) or to products (e.g. iPhones vs. iPads)

Cost Model Basics - 4



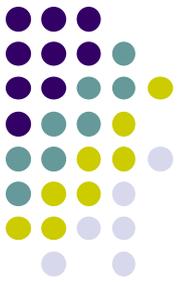
- As cost accounting system or cost model moves above the lowest level of direct cost inputs, must add indirect costs from all levels; government introduces some special challenges with overhead from departments and statewide support services
- If satisfied with how the costs are captured for organization, can use the total admin cost of WIC as final number to balance to for baseline paper costs in cost model; otherwise, explain the differences

History of the Current FNS Cost Model



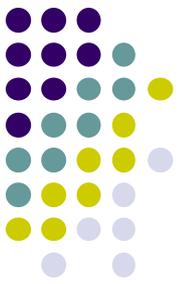
- First WIC EBT cost model was developed in-house by USDA Food and Nutrition Service and was made available for use in 2004 (thanks to Julie Kresgie, Erin McBride and others)
- Original model was comprehensive, but eventually FNS contracted with IMADGEN to develop model easier to use
- IMADGEN model made available in 2009 (comprehensive and well-proven by now, at least in terms of capturing paper FI costs)

What Did I Look At?



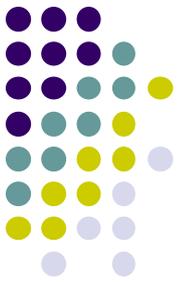
- Reviewed and compared PA, VA, DE, and MD (plus quick check of KY) ...
PA & VA = IMADGEN; DE & MD = BCA
- Compared “State Specific Baseline Quantities”, then compared numbers and assumptions, section by section
– costs per participant per month, per new family per year, per FI issued per month, and per retailer authorization

Similarities - 1



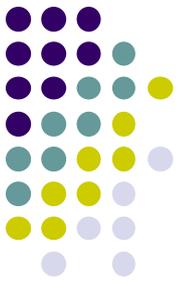
- Overall, the state-to-state results from using both models are more similar than different for the cost of issuing Paper FIs
- On a cost-per-unit-of-volume basis, PA (IMADGEN) and DE (BCA) are more similar, and VA (IMADGEN) and MD (BCA) are more similar, so one might conclude that there are factors inherent in the states' operations that have a greater effect on costs than which model is used

Similarities - 2



- State Labor, Retailer/Technical, and Banking are all similar
- Clinic Labor [none in DE] varies more
- Projected costs for EBT operations are quite similar, even when comparing online to smartcard

Differences



- Except for the aforementioned Local Labor costs, the differences really show up in projected costs for EBT development and implementation
- Q: do the models capture all fixed costs, assuming all variable and semi-variable costs are captured? (And do fixed costs matter, as long as models treat them consistently?)

IMADGEN Cost Model - Instructions

Special Supplemental Nutrition Program for
Women, Infants and Children (WIC)

WIC Electronic Benefits Transfer
(EBT) Cost Analysis Model

2009



Worksheets Index – IMADGEN Cost Model



WIC EBT COST ANALYSIS MODEL FOR USE IN SUPPORT OF WIC EBT FEASIBILITY STUDIES AND IAPDS

NAME OF AGENCY:

Index

	Worksheet Title	Description
Sheet 1	Instructions	Provides general instructions for completing this workbook and a glossary of terms
Sheet 2	Detailed Summary	Provides a detailed cost summary of the baseline and the alternatives
Sheet 3	Baseline Summary	Provides a summary of the paper based WIC issuance costs
Sheet 4	State Labor-Paper	Provides the estimated baseline labor costs at the State level
Sheet 5	Clinic Labor-Paper	Provides the estimated baseline labor costs at the local level
Sheet 6	State Materials-Paper	Provides the estimated baseline materials costs to the State
Sheet 7	Banking-Paper	Provides the estimated baseline banking costs
Sheet 8	Retailer-Paper	Provides the estimated baseline retailer costs
Sheet 9	State Labor - EBT Implementation	Provides the estimated labor at the State level for WIC EBT implementation
Sheet 10	State Labor-EBT Operations	Provides the estimated labor at the State level for one month of WIC EBT operations
Sheet 11	Local Clinic Labor-EBT	Provides the estimated labor at the local level for WIC EBT implementation and one month of operations
Sheet 12	State Materials-EBT Implementation	Provides the estimated materials and services costs to the State for WIC EBT implementation
Sheet 13	State Materials-EBT Operations	Provides the estimated materials and services costs to the State for one month of WIC EBT operations
Sheet 14	Retailer Costs	Provides the estimated retailer costs borne by the State for WIC EBT implementation and one month of operations
Sheet 15	Retailer-Borne Operational Costs	Provides an estimate of retailer-borne operation costs with WIC EBT
Sheet 16	Benefits	Provides an analysis of the benefits of WIC EBT
Sheet 17	Risks-Alternatives	Provides analysis of the risks of each WIC EBT alternative

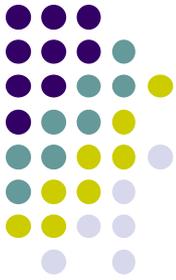
General Assumptions: This area may be used to list the general assumptions made to complete this analysis.

IMADGEN Cost Model

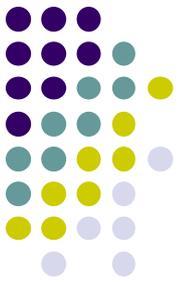
Summary Page

(actual
worksheet
continues
through 5
years of
projected
costs)

State Name WIC Program			
BASELINE COST DETAILS			
INSTRUCTIONS: This table automatically calculates estimated costs for out-years.			
		103.00%	106.00%
Calendar Year	BASELINE	ESTIMATED COST FOR OUT-YEARS, PAPER-BASED ISSUANCE	
	2009	2010	2011
Total Labor Costs	\$ 2,549,133	\$ 2,623,175	\$ 2,780,343
State Level Labor	\$ 220,565	\$ 226,971	\$ 240,565
Operations	\$ 13,149	\$ 6,765	\$ 7,171
Retailer	\$ 139,665	\$ 143,722	\$ 152,334
Technical	\$ 13,000	\$ 13,378	\$ 14,179
Business	\$ 8,997	\$ 9,259	\$ 9,813
Nutrition	\$ 176	\$ 181	\$ 186
Contractor Support	\$ 50,880	\$ 52,358	\$ 55,495
Indirect Costs	\$ 1,272	\$ 1,309	\$ 1,387
Regional & Local Labor	\$ 2,328,568	\$ 2,396,204	\$ 2,539,778
Food Instrument Issuance	\$ 2,327,474	\$ 2,395,077	\$ 2,538,584
Material Management	\$ 1,095	\$ 1,126	\$ 1,194
Contractor Support	\$ -	\$ -	\$ -
Indirect Costs	\$ -	\$ -	\$ -
Material Costs	\$ 283,867	\$ 292,112	\$ 309,615
Banking Contractor Costs	\$ 251,041	\$ 258,333	\$ 273,811
TOTAL COST TO STATE	\$ 3,084,041	\$ 3,173,620	\$ 3,363,769
Retailer-Borne Costs	\$ 3,666,342	\$ 3,749,657	\$ 3,926,514
Labor	\$ 2,868,362	\$ 2,951,677	\$ 3,128,534
Fines/Loss	\$ 797,980	\$ 797,980	\$ 797,980
TOTAL BASELINE COST			
Including Retailer-Borne Costs	\$ 6,750,383	\$ 6,923,277	\$ 7,290,283



Final Notes: Sources of Additional Information



- WIC EBT-MIS WEBSITE:
 - <http://www.fns.usda.gov/wic/ebt-mis-home.htm>
- WIC on PartnerWeb:
 - <https://www.partnerweb.usda.gov/>
- WIC USDA-FNS WEBSITE:
 - <http://www.fns.usda.gov/wic/>

Final Notes: FNS-MARO Contacts



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 - Jaime.VanLieu@fns.usda.gov 609-259-5122