

Preparing a Request for Exemption from the Peer Group Requirement

This document provides additional guidelines for submitting a request for an exemption from the vendor peer group system requirement in section 17(h)(11)(A)(ii) of the Child Nutrition Act. It spells out in greater detail, the type of information that the Food and Nutrition Service (FNS) expects State agency to provide to support the request.

The legislation characterizes a vendor peer group system as an essential component of an effective vendor cost containment system. Therefore, in accordance with the legislative mandate, FNS will grant an exemption only when presented with information and/or data that sufficiently demonstrates that the State agency meets the requirements stated in law.

Part I. Request for Exemption from the Vendor Peer Group System Requirement

1. Basis of the request for exemption (*please check the applicable boxes under a or b below*):

a. The State agency has elected not to authorize any above-50-percent vendors and can demonstrate that (*choose one of the following*):

Implementing a vendor peer group system would be inconsistent with efficient and effective operation of the program; **or**

The State agency's alternative cost containment system is as effective as a vendor peer group system. (*If the State agency checked this box, proceed to Part II below.*)

b. The State agency authorizes above-50-percent vendors and (*check all of the following that apply*):

Above-50-percent vendors accounted for less than five percent of the total WIC redemptions during last fiscal year (*total WIC redemptions equaled \$ _____, above-50-percent vendor redemptions equaled \$ _____ or _____ percent*); **and**

The State agency's alternative cost containment system is as effective as a vendor peer group system. (*If the State agency checked this box, proceed to Part II below.*)

Part II. Data to Support the Request for Exemption

In order to demonstrate that the State agency's alternative cost containment system is as effective as a vendor peer group system, the State agency must provide a detailed description of how it establishes and applies competitive price criteria and allowable reimbursement levels under its current system. The State agency also must provide data for FNS review, as shown in the attached spreadsheet entitled *Worksheet for Assessing Cost-Containment Effectiveness*. Instructions for completing the spreadsheet follow.

Worksheet for Assessing Cost-Containment Effectiveness

Instructions

In order to complete this worksheet, the State agency must perform various calculations using food instrument redemption data for a recent period (e.g., month, quarter, etc.). The spreadsheet requires statewide redemption data and data for vendors grouped based on a criterion that the State agency might use if it were to establish peer groups (such as type of store or number of cash registers). The State agency will enter into the spreadsheet data for these “hypothetical” peer groups.

Each worksheet applies to a single type of food instrument. Complete a worksheet for the five most frequently redeemed food instruments, including no more than one infant formula food instrument. Insert the data requested in the shaded area. The remaining information will be calculated automatically. To complete the spreadsheet, insert the following—

At the top

Food instrument type and description: the number that the State agency assigns to the food instrument (if applicable) and a description of the foods contained on the food instrument

Maximum reimbursement amount: the maximum amount that a vendor could be paid for this food instrument

Total vouchers redeemed: the number of food instruments of this type that were redeemed

Total redeemed value: the sum of the redemption amounts for all food instruments of the type described

Percent of total redemptions: the percent of all redemptions represented by this type of food instrument. For example, if all food instruments redemptions statewide totaled \$1 million, and the redemptions for the type of food instrument covered by the worksheet totaled \$100,000, enter 10%.

On the lines for Items 1-9

Note: The State agency will enter data in the highlighted portion of the spreadsheet. The remaining data are calculated automatically.

Item 1 The same statewide maximum allowable reimbursement amount the food instrument should be inserted in each column. Add more columns if there are more than three hypothetical peer groups. Identify at the bottom of the chart or in an accompanying narrative the criterion the State agency used to establish the peer groups and the period to which the data apply (e.g., January 2006, October-December 2005).

- Item 2 The number of food instruments of this type that were redeemed statewide and by vendors in each of the hypothetical peer groups during the period under consideration.
- Item 3 The total redemption (dollar) amount associated with the type of food instrument described.
- Item 4 The average (mean) redemption amount for this type of food instrument.
- Item 5 The standard deviation, a common measure of the spread of a distribution around the mean.
- Item 6 The standard deviation of the statewide maximum allowable reimbursement amount is derived by subtracting the statewide average redemption amount (item 4) from the statewide maximum allowable reimbursement amount (item 1) and dividing by the statewide standard deviation (item 5). This amount is calculated automatically and will be the same for all peer groups.
- Item 7 The dollar amount equivalent to the statewide maximum allowable amount is calculated by multiplying the standard deviation of the statewide maximum allowable amount (item 6) times the peer group standard deviation (item 5) and adding this sum to the average redemption amount (item 4). This amount is calculated automatically.
- Item 8 If the peer group dollar value in item 7 is less than the statewide maximum allowable amount (on the same line), the State agency must enter the number of food instruments that were redeemed for values above the peer group equivalent to the statewide maximum allowable amount. For example, line 7 for hypothetical peer group “A” has a dollar value of \$3.85, which is less than the statewide maximum allowable amount of \$4.50. Therefore, the State agency would insert the number of food instruments that were redeemed for amounts from \$3.86 to \$4.50. Since the \$5.42 and the \$4.83 exceed the statewide maximum allowable amount of \$4.50, no data are required for these hypothetical peer groups.
- Item 9 The sum of the amounts in excess of dollar amount on line 7 is entered on line 9. For example if vendors in hypothetical peer group “A” redeemed food instruments for the following amounts, \$.73 would be reported on line 9.

<u>FI Amount</u>	<u>Difference (FI amount minus \$3.85)</u>
\$3.90	\$.05
\$4.12	\$.32
\$4.30	\$.20
\$3.99	\$.14
\$3.87	<u>\$.02</u>
	\$.73