



**Nevada State  
WIC Program**

## **HOW CAN I AVOID PAPER FOOD INSTRUMENT OVERAGE BILLINGS?**

Paper Food Instrument Overage Billings began when the USDA issued regulations which required the implementation of Cost Containment Procedures effective October 1, 2006. Cost Containment requires that each State Agency establish a Maximum Allowable Reimbursement (the maximum dollar amount which is allowed to be paid to the vendor/store) for each WIC approved food item. If the cost of any food item exceeds the Maximum Allowable Reimbursement, the vendor is charged back the difference between the actual price charged and the Maximum Allowable Reimbursement.

Thus, technically, the reason for Paper Food Instrument Overage Billings is that vendor prices exceed the Maximum Allowable Reimbursement (MAR). So, to avoid these billings, vendors need to lower their prices for WIC food items to meet the Maximum Allowable Reimbursement (MAR) for that food item.

What is the Maximum Allowable Reimbursement? This is the tricky part. The State of Nevada WIC Program is not allowed to tell the vendors what the MAR actually is as then we would be involved in price setting. However, the methodology involved in setting the MAR can be helpful in understanding how to avoid the billings.

Each WIC approved vendor is placed into a Peer Group structure. These Peer Groups are:

- Urban Chain
- Urban Independent
- Rural Chain
- Rural Independent
- Over 50% Vendors
- Commissary

Each month, the MAR is set per food item by calculating the average price for that food item within the Peer Group and adding 10% to that average. Thus, each Peer Group will have a different MAR for each food item.

Each Paper Food Instrument issued has a maximum value based on the MAR for that month. The maximum value is calculated by multiplying the number of each food item issued on the Food Instrument, by the MAR for that food item based on the Peer Group of the vendor. When the Food Instrument is cashed, if the total amount paid to the vendor for that Food Instrument exceeds the maximum calculated value for that Food Instrument, the vendor is charged the difference between the actual amount paid and the maximum value of the check.

There are a few reasons why a Paper Food Instrument will exceed the maximum calculated value besides the prices of the actual WIC food item exceeding the MAR.

1. Participants are allowed to purchase foods which are not on the Food Instrument.

Example:

The Food Instrument was issued with 6 cans of **concentrated** formula printed on it. However, the participant brings to the cash register 6 cans of **powdered** formula and the cashier puts the total for the powdered formula on the Food Instrument. Since the maximum calculated value of a Food Instrument is based on the **exact** food items issued (and the exact number of food items issued), this Food Instrument will result in (a rather high) bill back to the vendor, as powdered formula generally has a higher cost than concentrated formula.

*To avoid this, be sure to allow the Participant to purchase only the **EXACT** item(s) and exact number of item(s) shown on the Food Instrument.*

2. The total written on the Food Instrument does not reflect the cost of food on that particular Food Instrument.

Example:

The Participant has multiple Food Instruments, and the cashier totals up all food items for all Food Instruments and places that total on one Food Instrument, or divides the total randomly between the Food Instruments. As indicated above, the maximum value for each Food Instrument is based on the exact item and number of items which are issued on that Food Instrument. If other items are added into the total on the Food Instrument, even if the participant has an additional Food Instrument which has those items issued on it, the maximum value of that particular Food Instrument will be exceeded and the vendor will be billed back the difference.

*To avoid this, treat each Food Instrument as a separate transaction.*