



TEXAS DEPARTMENT OF STATE HEALTH SERVICES

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Open Letter to All Texas WIC Grocers

Subject: State Reimbursement for WIC Electronic Benefits Transfer (EBT) Transition Costs

In a letter to grocers dated August 15, 2005, an update on the State's WIC EBT project was provided. At that time, it was reported that a yearlong EBT pilot had been successfully completed in El Paso and Hudspeth counties. Since that letter, WIC EBT has been expanded into two additional areas, Grayson and Collin Counties. On June 12, 2006, 34 West Texas Counties began the conversion process to WIC EBT with an additional 68 counties in the Texas Panhandle to follow starting in September 2006.

Also included in the August 2005 update was an explanation of WIC's policy and approach for enabling WIC authorized grocers to become "EBT ready" and capable of accepting the WIC EBT card in the lane for WIC food purchases. The purpose of this letter is to clarify the Texas WIC EBT vendor reimbursement policy established June 29, 2005, which has been approved by the U.S. Department of Agriculture, Food and Nutrition Service (FNS).

In developing its reimbursement policy, Texas WIC historically categorized vendors into two groups, the first comprised of stores expected to integrate WIC EBT functionality into their existing commercial electronic cash register (ECR) systems and the second comprised of those stores expected to install and operate a commercial WIC-enabled ECR system. Using this approach, Group #1 includes WIC authorized stores expected to:

- Modify existing ECR and point-of-sale (POS) software to integrate WIC EBT functionality with state reimbursement;
- Acquire and install WIC-certified upgrades to existing ECR and POS software, if state-modified and available; or
- Operate ECR and POS software other than those modified at state expense to accept WIC, electing to modify their systems without state reimbursement and to accept only WIC technical support during software and systems design, development, testing and certification.

Group #1 stores are eligible to receive up to \$200 per lane reimbursement for all front-end lanes where WIC food sales routinely occur, except self-checkout lanes. The FNS has not approved WIC EBT food sales at self-checkout lanes. The \$200 per lane reimbursement is intended to offset the cost of upgrading a store's POS card devices from single technology terminals, capable of accepting magnetic stripe cards only, to dual technology terminals, capable of accepting both magnetic stripe and integrated circuit cards. In addition, Group #1 stores may request reimbursement for one additional terminal upgrade to support WIC balance inquiries at the customer service booth or other non-checkout lane alternative.

The chart below identifies the ECR system software versions modified at state expense. If a store was operating state-modified software on June 29, 2005, the store is Group #1 and eligible for the \$200 per lane reimbursement.

	Group #1
IBM ACE	Release 2.0 or later
IBM SA	Release N001 or later
ICL Fujitsu ISS45 WIN PoS	Release 7.7 or later
NCR ACS	Release 6.0 or later

Group #2 includes all other WIC authorized stores, including those with ECR systems operating ECR/POS software not modified to accept the Texas WIC card and those stores operating only manual ECR systems.

Prior to June 29, 2005, Group #2 stores would have been expected to purchase, install and operate the state developed WIC-only grocer system (kWICpos). Lane coverage would be limited to 1-4 lanes, and the state would reimburse vendor costs using a lane equipage formula based on annualized WIC sales. The kWICpos system was designed to 'stand-beside' a store's existing ECR or manual cash register system. If a store had no ECR, the kWICpos system would 'stand alone'. The kWICpos system was initially utilized in El Paso pilot stores; however, it was determined the level of effort and resources to upgrade, then maintain and support the system ongoing after statewide operations would be cost prohibitive.

Effective June 29, 2005, the state adopted a "commercial systems only" approach. Stores in El Paso were retrofitted with WIC certified commercial ECR systems, and since that date all stores that would eventually have implemented kWICpos are required to purchase and install a WIC-certified ECR system, then request and receive reimbursement from the state.

The federal-approved policy for reimbursing Group #2 stores is based on annualized WIC sales, and the amount a store is reimbursed varies according to a store's classification, specifically whether a store is: 1) a grocery store or pharmacy, 2) a supermarket, or 3) a predominantly WIC store. The lane equipage formula for each of these classifications is shown below:

Grocery Store or Pharmacy: All contracted WIC grocery store or pharmacy outlets receive reimbursement for at least one lane but not more than four lanes based on the store's annualized average monthly WIC sales volume for the most recent 12-month period as follows:

- \$1 - \$15,999 of WIC sales monthly = one lane funded by the State;
- \$16,000 - \$23,999 of WIC sales monthly = two lanes funded by the State;
- \$24,000 - \$31,999 of WIC sales monthly = three lanes funded by the State; or
- \$32,000 and above of WIC sales monthly = four lanes funded by the State.

Supermarkets: A supermarket is defined as store with declared gross food sales of \$1 million or more per year. All contracted WIC supermarkets will receive at least one lane but not more than four lanes based on the outlet's monthly WIC sales volume for the most recent 12-month period as follows:

- \$1 - \$21,999 of WIC sales monthly = one lane funded by the State;
- \$22,000 - \$32,999 of WIC sales monthly = two lanes funded by the State;
- \$33,000 - \$43,999 of WIC sales monthly = three lanes funded by the State; or
- \$44,000 and above of WIC sales monthly = four lanes funded by the State.

Predominantly WIC Stores: For purposes of EBT system reimbursement, Predominantly WIC stores are defined as stores with 80% or more of their total sales being WIC food benefit redemptions. All contracted predominantly WIC stores receive at least one lane but not more than three lanes based on the outlet's monthly WIC sales volume for the most recent 12-month period as follows:

- \$1 - \$49,999 of WIC sales monthly = one lane funded by the State;
- \$50,000 - \$99,999 of WIC sales monthly = two lanes funded by the State; or
- \$100,000 and above of WIC sales monthly = three lanes funded by the State.

Regardless of an outlet's classification as a grocery store or pharmacy, supermarket, or predominantly WIC store, state reimbursement will be based on the actual cost of a WIC certified commercial ECR system. In no instance will state reimbursement exceed:

- \$11,000 plus tax for one lane;
- \$18,000 plus tax for two lanes;
- \$25,000 plus tax for three lanes; or
- \$33,000 plus tax for four lanes.

A Group #2 vendor may use its reimbursement to: 1) upgrade current version ECR system software to a newer, WIC-enabled version if the current ECR system software is an early version of IBM-ACE, IBM-SA, NCR ACS, or ICL-Fujitsu; 2) purchase and install a WIC certified ECR system for use in addition to the current ECR or manual cash register system operating 'stand beside' or integrated, or 3) purchase and install a WIC-certified ECR system for use in lieu of the current ECR or manual cash register system. At a vendor's option, a WIC certified system may be configured as single (WIC-only) or multi-tender.

Should you have questions about any of the information provided above, contacts at the WIC State office in Austin include:

Hank Lundberg – EBT Director (512) 458-7111 ext 3471;

Asad Salahuddin – Contractor Support (512) 458-7111, ext. 6857;

Mary Alice Winfree – Branch Manager for the Food Issuance and Redemption Services Unit (512) 341-4400 ext 2267; and

Ray Krzesniak, Unit Manager for the Food Issuance and Redemption Services Unit (512) 341-4400 ext 2200.

Sincerely,

signed

Mike Montgomery, Manager
Nutrition Services Section