

### 2.0 Vendor Contracting

Effective Date: 07-01-2021

### 2.03 Vendor Peer Groups

**PURPOSE:** To explain the system of Vendor classification into peer groups based on common characteristics for the purpose of ensuring competitive food prices.

#### DEFINITIONS:

*Above 50-percent Vendors* means Vendors whose WIC transactions make up more than fifty percent of their annual food sales.

*Chain contract* means an owning entity with two (2) or more outlet locations authorized on the same WIC Vendor Contract.

*Not To Exceed (NTE) price* means the maximum price a Vendor will be reimbursed by the Department for each WIC-approved UPC and is peer group specific.

*Unique Vendors* means Vendors who operate under circumstances which are considered by the Department to be sufficiently uncommon and/or isolated (such as islands) to warrant assignment to a unique peer group.

*Vendor peer group system* means a classification of authorized Vendors into groups based on common characteristics or criteria that affect food prices, for the purpose of ensuring competitive food prices.

*WIC nutritionals* means authorized medical foods that are specifically formulated to provide nutritional support for individuals with a qualifying condition.

#### A. POLICY:

1. Peer groups provide a structure for ensuring cost containment by applying competitive price criteria to Vendors and ensuring appropriate reimbursement for WIC-approved foods via the calculation of a *Not to Exceed (NTE) price* for each UPC code. (See Policy 2.02 Vendor Selection Criteria.)
2. The NTE for a universal product code (UPC) is the most the Department will reimburse a Vendor for a specific product. It is calculated using the average statewide price for each UPC and then adding a pre-defined standard deviation for each peer group.
  - a. Vendors are regularly monitored to ensure they are charging competitive prices and not regularly exceeding the NTE. (See Policy 5.02 High-Risk Vendor Identification.)
  - b. Vendors may submit a written appeal with justification and other supporting documentation to the Department if they wish to pursue the difference between the price requested and the amount reimbursed by the Department.

3. The current peer group structure was developed based on Vendor type (pharmacy vs. full line), number of registers, and chain status. The current peer groups are as follows:
  - a. Pharmacy Vendors authorized to sell WIC formula and nutritionals only.
  - b. Large chain stores with eighteen (18) or more registers.
  - c. Medium chain stores with less than eighteen (18) registers.
  - d. Medium non-chain stores with five (5) or more registers.
  - e. Small non-chain stores with less than five (5) registers.
  - f. Unique Vendors.
  - g. Project FRESH farmers market Vendors only authorized to transact cash-value benefits for fresh fruits and vegetables.
  - h. Above-50-percent Vendors must be in their own peer group. The Michigan WIC Program does not currently authorize above-50-percent Vendors.
4. Vendors will be assigned a peer group upon authorization. The Department shall inform Vendors of their peer group assignment and the criteria for each peer group.
5. The Department will reassess the status of new Vendors within six months after authorization to determine whether the Vendor has been assigned to the appropriate peer group.

References:

- [7 CFR Part 246.2](#)
- [7 CFR Part 246.12 \(f\)](#)

Cross-References:

- 2.02 [Vendor Selection Criteria](#)
- 5.02 [High-Risk Vendor Identification](#)