

United States Senate

WASHINGTON, DC 20510

October 3, 2022

Mr. Gene Dodaro
Comptroller General of the United States
Government Accountability Office
441 G St., NW
Washington DC 20548

Dear Mr. Dodaro:

We have heard concerns expressed about the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) impact on the infant formula market, in particular in the light of current supply shortages. The shut-down of the Abbott manufacturing plant led to foreseeable shortages of certain infant formula products for WIC participants, but also affects non-WIC formula buyers, retailers and grocers.

Historically, infant formula has been the most expensive WIC food category. To address the high cost of infant formula under WIC, states were required to pursue cost containment systems in 1989 under the Child Nutrition and WIC Reauthorization Act. As a result, all states pursued sole-source contracts with infant formula manufacturers, who then sends rebates to the WIC state agency. These rebates have saved the WIC program between \$1 to \$2 billion annually. While these savings have allowed the WIC program to stretch funding farther, some stakeholders have expressed concerns with unintended consequences these contracts have on the market.

Because the infant formula shortage required a federal response from both Congress and the administration, an evaluation of WIC sole-source contracting and its impact on all market participants is warranted.

We request that GAO provide analysis of the impact of sole-source contracting, including responses to the following questions:

1. How did the price of infant formula change for both WIC and non-WIC customers after the introduction of sole-source rebates?
2. How did particular market characteristics such as market concentration, methods of marketing, and barriers to entry impact the size of the rebates offered by manufacturers?
3. How have sole-source contracting and minimum infant formula stocking requirements impacted independent and small retailers?
4. What legislative or regulatory changes could improve sole-source contracting? What other measures could address cost containment of infant formula under WIC?

Thank you for your consideration of this request to evaluate sole-source contracting of infant formula under the WIC program. We look forward to your response.

Sincerely,



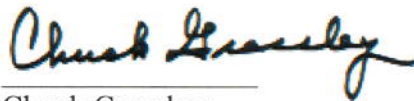
Deb Fischer
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