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TO: Ted Pitts

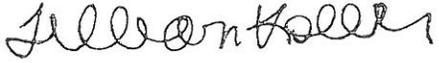
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FROM: Lillian Koller 

DATE: May 28, 2013

Hello Team. Since we last spoke together about the possibility of making a request to USDA to restrict SNAP purchases of unhealthy foods and/or beverages, much has occurred. DHEC took the lead in conducting four public hearings around the State as well as soliciting and receiving written comments from the public.

Meanwhile, DSS took the lead to research options, preferably ones that meet our shared desire to reduce obesity and attempt something different than what has been previously requested by others and denied by USDA.

Attached is my memo briefly summarizing three Options with Pros and Cons. Also attached is a brief summary prepared by DSS staff who attended DHEC's public hearings, capturing the public testimony they heard. Please note that DSS is awaiting receipt of DHEC's report summarizing the testimony at the public hearings and the written comments from the public received by DHEC.

Before reading my memo, I want you to know a few mile-high things:

(1) The "Cons" in my attached memo are not what I personally believe to be objectionable but, rather, represent what USDA has objected to in previous attempts to restrict SNAP purchases;

(2) I have gathered and analyzed with DSS staff and consultants a multitude of materials, and even had our agency's General Counsel write up two legal briefs to accompany Option 3 if we choose to pursue it;

(3) While Option 3 is, in my opinion, the most innovative and clever (limiting SNAP purchases to “staple foods” as defined and required by USDA for retailers to “continuously” stock in order to be a USDA-approved SNAP retailer), I believe that Option 2 “WIC-Plus-Meat” is more simple. However, I only recommend requesting this after DHEC has implemented, by October 1, 2015, “a project” mandated by USDA of all States to convert WIC’s paper vouchers to WIC EBT (full statewide implementation required by October 1, 2020); and

(4) Unfortunately, I conclude that any and all options restricting SNAP food purchases will be DOA with USDA.

I recommend that we have another meeting to discuss and decide next steps. Thanks!

Lillian

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Background

To achieve the goal of promoting and improving nutrition among recipients of benefits from SNAP (Supplemental Nutrition and Food Assistance Program, formerly called Food Stamps), the State has explored three possible approaches for modifying allowable SNAP food purchases. Any limitations on food purchases would require USDA approval. USDA funds 100% of SNAP benefits and 50% of administrative costs.

The following are three options for consideration.

Option 1: Prohibit the Use of SNAP Benefits to Purchase Sugar-Sweetened Soda

Scope: All SNAP Recipients Statewide (or any particular Counties in SC)

Option 1 for SNAP considers prohibiting the use of SNAP benefits to purchase sugar-sweetened soda.

Pros:

- (a) High sugar foods contribute to obesity and diabetes. According to DHEC, SC ranks 8th in the United States for highest obesity with 30.8% of the population considered obese; and 2nd in diabetes with over 12% of the population diabetic.
- (b) Sugar-sweetened soda has no nutritional value.

Cons:

- (a) USDA has made it clear in reports and guidance on its website that restricting food purchases is not how USDA wants to improve nutrition among SNAP recipients and prefers consumer education and incentives (e.g., increase food stamps for purchases of fresh fruits and vegetables).
- (b) In 2011, USDA denied a request to conduct a demonstration project in New York City (NYC) to restrict the purchase of sugar-sweetened beverages. In 2004, USDA denied a waiver to Minnesota to prohibit the purchase of candy and soda with SNAP benefits.

- (c) Prohibiting the purchase of one category of food does not address overall healthy diet and exercise issues.
- (d) The focus of the prohibition can be criticized as industry-specific and arbitrary because other producers of unhealthy food are not prohibited.
- (e) Small business SNAP retailers would have to isolate prohibited purchases at point of sale which would increase time at the cash register. Cash register slow-down would adversely affect business. It would also stigmatize SNAP recipients which USDA opposes; USDA denied the Minnesota waiver, in part, for “wiping away years of hard work USDA has done to decrease the stigma against SNAP clients when they make purchases at the register.”
- (f) Vendors with integrated electronic systems will likely object to the cost of system modifications necessary to electronically identify the limited allowable food purchases.

NOTE: Grocery chains and other large vendors have integrated electronic systems that automatically distinguish between food purchases which are currently allowed in SNAP vs. non-food purchases which are not currently allowed in SNAP. These integrated electronic systems avoid additional time at the cash register point of sale.

Option 2: Limit SNAP Benefit Purchases to WIC-Plus-Meat

Scope: All SNAP Recipients Statewide (or any particular Counties in SC)

Option 2 for SNAP considers restricting allowable SNAP benefit purchases to the specific types of foods and beverages, including named brands and limited quantities, approved by USDA (more like a “food prescription” than a “food list”) in the Women and Infant Children (WIC) program; Option 2 for SNAP would expanding WIC by allowing all meats.

Pertinent WIC Information:

The South Carolina WIC program is administered by DHEC. WIC is currently a program with paper vouchers.

WIC is limited to pregnant and lactating women and children up to age 5 who are at nutritional risk. WIC-approved food and beverage purchases are specifically targeted to

these populations and do not allow purchase of the full range of foods and beverages that would be part of a nutritional diet for older populations.

WIC foods include infant cereal, iron-fortified adult cereal, vitamin C-rich fruit or vegetable juice, eggs, milk, cheese, peanut butter, dried and canned beans/peas, and canned fish. Soy-based beverages, tofu, fruits and vegetables, baby foods, whole wheat bread, and other whole-grain options were recently added to better meet the nutritional needs of WIC participants.

Federal regulations require all States to have "a project in place" no later than October 1, 2015 for converting the current WIC paper vouchers into WIC EBT, with full statewide WIC EBT implementation required by October 1, 2020.

Pros:

- (a) "WIC-Plus-Meat" would provide for food purchases to better serve the nutritional needs of the population at large.
- (b) Some sugar-sweetened foods and beverages which contribute to obesity and diabetes would be prohibited.

Cons:

- (a) Same as Option 1, Cons (a).
- (b) Same as Option 1, Cons (e) and (f).
- (c) Since Federal regulations require all States to convert the current WIC program (with its paper vouchers) into full statewide implementation of WIC EBT by October 1, 2020, SNAP retailers are likely to object to changes related to implementing "WIC-Plus-Meat" in SNAP prior to DHEC's implementation of WIC EBT. It would entail substantial and ultimately unnecessary time and costs to modify SNAP EBT to implement "WIC-Plus-Meat" before DHEC implements WIC EBT on or before October 1, 2020.

NOTE: To ameliorate concerns about system modifications, the State could delay submitting a request for "WIC-Plus-Meat" in SNAP until: (a) DHEC has its federally mandated "project in place" by October 1, 2015 in WIC EBT so that SNAP's "WIC-Plus-Meat" could be done in conjunction with DHEC's WIC EBT project on or before October 1, 2015; or (b) wait until DHEC has concluded the federally mandated conversion of WIC paper vouchers to full statewide WIC EBT on or before October 1, 20120.

In either case, as WIC EBT is developed by DHEC, DHEC and DSS should work together to ensure the WIC EBT system can be integrated with the existing SNAP EBT system to facilitate efficiencies and future consideration of a request by DSS to USDA to implement "WIC-Plus-Meat."

- (d) As of April 2013, South Carolina has approximately 674 WIC-approved retailers vs. 5,062 SNAP-approved retailers in South Carolina, so restricting SNAP purchases to "WIC-Plus-Meat" purchases would greatly decrease access to permitted foods and beverages for nearly 900,000 SNAP recipients statewide vs. 126,784 WIC participants.

Option 3: Limit SNAP Benefit Purchases to "Staple Foods"

Scope: All SNAP Recipients in Three Counties (e.g., per DHEC, the three Counties of Bamberg, Fairfield and Lee have the highest per capita obesity in SC).

Option 3 considers restricting allowable SNAP benefit purchases to "staple foods." USDA already distinguishes between staple foods and non-staple foods. Retailers are required to "continuously" stock staple foods if they accept SNAP benefits.

USDA has regulatory authority to define staple foods and currently does so as:

'Staple foods' means those food items intended for home preparation and consumption in each of the following food categories: meat, poultry, or fish; bread or cereals; vegetables or fruits; and dairy products.

SNAP retailers must include three different items from the four categories quoted above, with perishable foods in at least two of the categories. Non-staple foods (coffee, tea, soda, ice cream, etc.) are still eligible for purchase with SNAP benefits but they do not count toward the eligibility requirements for retailers to participate in SNAP.

The foods designated staple foods by USDA are not all healthy items as they include items such as frozen pizza, fatty sausages, and many desserts. However, the "worst of the worst" unhealthy junk foods are not included in USDA's definition of staple foods.

The Option 3 demonstration project could also offer additional services to promote nutritional eating and healthy lifestyles. Specifically, after-school programs based on the *ABC Grow Healthy Initiative* would be implemented in the three designated Counties. *ABC Grow Healthy* focuses on activities that promote children's health and well-being through healthy eating and assuring children are physically active. DSS is in the process of determining how best to provide healthy meal preparation

classes in the demonstration Counties as well as exploring the possibility of a public-private partnership with Weight Watchers to offer a no-cost weight reduction program to SNAP recipients in the demonstration Counties.

Pros:

- (a) Healthy eating requests by other States that have been denied by USDA sought to create a new distinction in the SNAP program between healthy and unhealthy foods. Option 3 has the advantage of not seeking to create any new distinctions and would not request or require an alteration to the definition of food in federal statute or regulation.

Limiting the scope of this request to a demonstration project in three Counties would also address one of USDA's objections to previous denied requests. The USDA's rejection of NYC's request stated "the proposed demonstration project is too large and too complex." At the time of its request, NYC provided SNAP benefits to 1.7 million recipients. The three Counties of Bamberg, Fairfield and Lee have a total of only 17,000 SNAP recipients.

- (b) SNAP recipients of the demonstration three Counties would have access to additional services to promote nutritional eating and healthy lifestyles.
- (c) The limitation of allowable SNAP purchases to staple foods would promote a more nutritional diet among recipients. The fact that staple foods are by USDA definition limited to foods intended for "home preparation and consumption" would eliminate ready-to-eat, high sugar, high caloric and high carbohydrate foods that contribute to obesity and diabetes.
- (d) The three-County demonstration would provide for data collection, identification and resolution of implementation issues, and testing of public awareness methodologies, providing valuable information and illumination for future statewide healthy eating efforts, including expanded and more comprehensive demonstrations in South Carolina's SNAP program.

Cons:

- (a) Same as Option 1, Cons (a).
- (b) Same as Option 1, Cons (e) and (f).

DSS Summary of Testimony at DHEC Public Hearing on SNAP Waiver

NOTE: This summary was prepared by DSS staff who attended the DHEC public hearings.

The first DHEC Public Hearing held at the Richland County Administration Building was well attended with approximately 30 individuals who volunteered to give their opinion about possible changes to the food stamp program.

Only two individuals spoke in favor of the proposed changes. The vast majority were not in favor of any changes to the current food stamp program. Most individuals spoke about the need for better nutrition education and the need for help in making their SNAP benefits stretch further. Many speakers pointed out that the number of obese individuals on SNAP benefits was not as high as the number of obese South Carolinians not on SNAP benefits.

Members of the Legislative Black Caucus present at the hearing spoke against the proposed changes, and said the people who receive the benefits and their advocates should have been given the chance to weigh-in on the proposal before it was publicized.

Another Caucus member stated that if the attempt is to improve the health of South Carolinians, start with people like him first – people who can afford to make changes to their diets. He said a hot dog might not be nutritious but to someone who has nothing else to eat, it may be the only thing that comes between him and starvation. He further stated that if the State is concerned about health, the State should place higher taxes on things well-known to cause serious health issues like tobacco and alcohol.

Another speaker was a former recipient of the program. She said she is grateful for the benefits at the time she needed them, but felt a sense of unfairness when she sees the program being abused. As a grocery cashier, she saw people dressed well, in nice cars, with two carts of groceries purchased with food stamps.

The hearing in Florence was also well attended and many of the sentiments expressed in Columbia were echoed in Florence. Only one individual spoke in favor of the changes. Many of the speakers in Florence pointed out that SNAP benefits did not force anyone to be obese, and one individual noted that she had lost more than 60 pounds while on SNAP and was no longer obese.

Another theme expressed was that limiting certain foods will not address the obesity problem in South Carolina. Some said diet and exercise habits better address obesity than government programs. The need for additional nutrition education was also raised.

The hearing held in Greenville was standing room only and, once again, there was only one speaker in favor of the changes. An issue raised in Greenville, not previously heard, was the idea

that telling adults what they could and could not eat was something not expected in America. Several speakers termed the idea "communist" and wondered what other restraints might be placed on adults if this change was made.

The individual who spoke in favor of the changes stated that being told what they could and could not eat was the result of taking help from the government. He stated that any help, even public education, controlled by the government should be avoided at all costs.

The hearing in Charleston took place on the property of the old Naval yard and was very difficult to locate. Perhaps for that reason, Charleston had the smallest attendance of any of the hearings. More speakers supported the changes in Charleston than in any other hearing location. Speakers supporting the changes in Charleston included a non-profit organizer working with obese children and a pediatrician. Many of those who spoke against the changes repeated issues raised in the other three hearings and, again, raised issues around the need for more nutrition education.

Hand Delivered
8-16-13

CONFIDENTIAL

TO: Bryan Stirling

Ted Pitts

Josh Baker

Christian Soura

Doug Mayer

FROM: Lillian Koller



DATE: August 16, 2013

Additional Options to Promote Healthy Eating in the SNAP Program

Attached are fourth and fifth options as you consider how best to promote healthy eating in the SNAP program. For your convenience, I have also included the original three options provided in May.

I respectfully request that a final decision be made as soon as possible as to which of the five options will be pursued.

USDA has an established format and process for requesting either a waiver or a demonstration project. As I am sure you can appreciate, it is comprehensive and exhaustive with respect to the information the state must provide. For example, we must provide detailed information regarding the potential impact on the SNAP error rate and the affected population as well as a complete description of the implementation timeline, procedures, and policies.

As you know, there are significant differences in all of the options being considered, making it impossible to begin drafting the submission to USDA until a final decision is made. In addition, USDA has historically taken long periods of time to respond to any state's request for a waiver or demonstration project.

Therefore, anything that can be done to expedite obtaining a final decision is appreciated. Personally, I recommend the fifth option, "Work 2 Health." Thank you for your assistance.

Lillian

Healthy Eating Demonstration

Goal

To promote good nutrition and healthy living ultimately reducing obesity and associated health issues.

Project Design

Conduct a demonstration project in up to three counties to promote healthy food purchases and provide nutrition and cooking education to participating SNAP households. Participation will be voluntary. The demonstration includes:

- Developing a list of healthy food items. *(The list will be by category based on the four SNAP staple foods definition, e.g. meat, bread, vegetables, and dairy)*
- Informing SNAP participants and soliciting participation in the demonstration.
 - Participation will be open to all SNAP applicants and recipients in the demonstration area. *(A notice of the ability to participate will be provided to all current SNAP recipients.)*
 - Outreach and promotional efforts will be focused on SNAP applicants and SNAP recipients at annual live phone interview recertification.
- Cooking classes and nutrition education programs for adults and children. *(These services will be developed with and provided by food vendors, schools, technical colleges, and community and religious organizations.)*
- Rewarding SNAP recipients who choose to participate and meet the healthy food purchase requirements of the demonstration. *(The reward will be to disregard any increases in income for up to two years for purposes of determining the SNAP benefit.)*

Monitoring Compliance

The demonstration will begin in one small county with possible expansion to up to three small counties (Bamberg, Fairfield, Lee) over a 6-month time period.

A phased-in expansion will allow DSS to address implementation and resultant manpower issues related to participant compliance. Limiting the demonstration to small counties will allow DSS to address compliance using existing manpower.

- Participants in the demonstration would be instructed to save their food purchase receipts and bring them into the County office at designated intervals for review. *(The reviews could be done on a monthly, quarterly or 6-month basis.)*
- To facilitate the review, a packet for saving receipts would be designed and provided to participants.
- County staff would review receipts to ensure foods from the healthy food item list were purchased. *(A threshold for healthy food purchases would be established. For example, 90% of all purchased foods must be on the healthy food list.)*

- When compliance is confirmed by the reviewer, the recipient file will be annotated accordingly to assure eligibility for the income disregard continues. *(The income disregard is described below.)*
 - For participants who meet the requirements of the demonstration after six months *(90% of all purchased foods are on the health food list)*, any increases in income will be disregarded for one year.
 - For participants who meet the requirements of the demonstration for an additional six months (one year total), any increases in income will be disregarded for one more year.

Healthy Living Promotion

DSS will work with food vendors (grocery stores and restaurants) to develop and provide healthy living instruction and classes to adults and children focused on buying and preparing items on the healthy foods list. *(For example, how to prepare fresh vegetables.)*

- Adult classes will be offered at local community organizations and religious facilities.
- For children, food preparation and nutrition education activities will be offered during after-school programs.

DSS will work with grocery stores to develop and distribute menus to participants to promote healthy eating and to address restricted diets due to various diseases and conditions.

Also, DSS will provide participants with a list of activities that promote calorie burning. *(See list of Fun Summer Activities at http://www.huffingtonpost.com/2013/07/10/summer-activities-burn-50-calories_n_3530330.html)*

Note: Developing and providing healthy living materials and classes will require significant outreach and coordination with local food vendors, schools, and community and religious organizations. For this reason, at least a three-month development period after approval is obtained from USDA will be required.

Timeline

Obtain USDA approval to allow earned income disregard to continue for up to two years for participants who meet demonstration healthy food purchase requirements.	
Work with local food vendors, school, and community and religious organizations to develop menus and health living activities. <i>(See Healthy Living Promotion above.)</i>	Completed 90 days after USDA approval is obtained.
Develop outreach, promotional, and	Completed 120 days after USDA approval is

compliance tracking kit materials. <i>(Materials cannot be completed until Healthy Living Promotion activities have been developed.)</i>	obtained.
Implement demonstration in one county.	150 days after USDA approval is obtained.
Depending on issues in initial demonstration county, implement demonstration in second county.	90 days after implementation in first county.
Depending on issues in expanded demonstration counties, implement demonstration in third county.	90 days after implementation in second county.

Work 2 Health

Background

Originally, three options were developed to mandatorily limit food purchases of SNAP recipients to promote healthy living. A fourth option to provide incentives to SNAP recipients who voluntarily limit food purchases to healthy eating was added for consideration. All of these options would have required seeking and obtaining approval from USDA for either a waiver or a demonstration program. Based on an analysis of USDA responses to similar requests, the likelihood of obtaining approval for a mandatory program waiver (the first three options) is highly unlikely while approval for the voluntary demonstration (option 4) is more likely. All of these options would require significant electronic system and/or administrative process changes and costs for which DSS would need to provide 50% matching general funds.

Upon further reflection, DSS has developed a fifth option for consideration. We are calling this option "Work 2 Health." This option builds on the proven DSS success in implementing strong work requirements for TANF recipients and, for the past two years, TANF applicants. Also, the "Work 2 Health" option is based on research conducted by nationally recognized organizations showing a strong correlation between unemployment and obesity and other significant health conditions.

Research

State Specific Research:

In April 2011, a study conducted by the Robert Wood Johnson Foundation and the University of Wisconsin Population Health Institute showed that Bamberg, Orangeburg and Calhoun Counties are largely unhealthy with higher rates of premature death stemming from a variety of factors including the rising tide of adult obesity. The study showed the worst ratings for adult obesity and unemployment in these three Counties. Adult obesity and unemployment rates were:

	Unemployment	Obesity
Bamberg	17%	38%
Orangeburg	16%	39%
Calhoun	13%	34%
South Carolina Statewide	11.7%	30%

National Research:

The Gallup Healthways Well-Being Index tracks well-being in the U.S, the United Kingdom, and Germany. The Index includes 18 items that measure:

- Obesity
- Sick days in the past month

- Disease burden
- Health problems that get in the way of normal activities
- Feeling well-rested
- Daily energy
- Daily colds
- Daily flu
- Daily headaches

The Gallup Index reported significant findings in June 2012:

- Americans who are employed full-time or voluntarily part-time enjoy better physical health than those who are unemployed or have less work than they would like.
 - Those employed in every age group report better physical health than underemployed or those not in the workforce, particularly for those age 30-64
 - Those not in the workforce report the worst physical health
- Unemployed are much more likely to be obese.
 - Those age 18-44 are doing particularly poorly as they are 30% more likely to be obese than their employed counterparts
- The same patterns and correlations are present with respect to the incidence of diabetes.
- High blood pressure (which is linked to obesity) is more prevalent among the unemployed.
 - This is true across all age groups
 - Unemployed age 30-44 are 50% more likely than those who are employed to have ever received a high blood pressure diagnosis
 - Nearly half of those age 45-64 who are not in the workforce report high blood pressure compared to less than one third of those who are employed
- Those unemployed are much more likely to smoke and 57% more likely to report being diagnosed with asthma.

NOTE: Charts by age and category (e.g., Obesity, Diabetes, High Blood Pressure) are included as an attachment.

New Option for Consideration – Work 2 Health

Based on the state and national research described above, this option focuses directly on the link between unemployment, obesity, and other significant and prevalent health issues (diabetes, high blood pressure, and asthma). To address these issues, DSS would establish an up-front work requirement for SNAP applicants and a work requirement for all SNAP recipients. These new work requirements would apply to working age applicants and recipients without a disability.

Upon application for SNAP, individuals would be required to engage in supervised job search. Also, all SNAP recipients would be required to engage in supervised job search and job readiness programs as currently provided in the TANF program.

Upon employment, participants in the work activities would receive a 50% "earned income disregard" for six months. Increasing the current 20% earned income disregard for an initial work period of six months would:

- mitigate the "cliff effect" that can severely reduce or eliminate benefits entirely upon increased income through employment;
- eliminate the disincentive that the "cliff effect" is to obtaining employment; and
- show participants the tangible benefits of working.

These new applicant and recipient work programs would be implemented in Bamberg, Orangeburg, and Calhoun Counties as a demonstration program prior to expanding statewide.

In order to implement the new requirements and rewards, South Carolina would be required to obtain USDA approval for a demonstration program for the up-front applicant work requirements and the "earned income disregard" changes. Although the likelihood of USDA approval for such an applicant requirement and reward program is unknown, we believe it is unlikely.

Nevertheless, we believe (as noted above) that this approach addresses our good nutrition and healthy living goals by focusing on the correlation between unemployment and health issues in a way that works in concert with DSS' mission and expertise, places important and increased emphasis on work which taxpayers would support, rewards SNAP applicants and recipients who obtain employment, and builds on DSS' proven success in moving people from assistance to work.

This approach would not require system modifications and would simply be an extension of administrative processes already implemented in other DSS programs.

TABLES EXCERPTED FROM THE GALLUP HEALTHY INDEX FINDINGS

Percentage of Working Age Americans Who Are Obese by Employment Status and Age

	18-29	30-44	45-64
Employed Full-Time or Voluntarily Part-Time	16.4	26.5	28.1
Employed Part-Time but wanting Full-Time Work	17.5	29.6	29.1
Unemployed and looking for Work	21.4	34.0	32.6
Not in workforce	17.6	31.8	36.7

Percentage of Working Age Americans Who Report Diabetes by Employment Status and Age

	18-29	30-44	45-64
Employed Full-Time or Voluntarily Part-Time	1.4	3.8	9.6
Employed Part-Time but wanting Full-Time Work	2.1	6.5	12.2
Unemployed and looking for Work	2.5	7.8	15.2
Not in workforce	2.6	10.6	23.3

Percentage of Working Age Americans Who Report High Blood Pressure by Employment Status and Age

	18-29	30-44	45-64
Employed Full-Time or Voluntarily Part-Time	7.0	14.2	31.1
Employed Part-Time but wanting Full-Time Work	7.5	17.6	34.3
Unemployed and looking for Work	9.6	21.3	38.1
Not in workforce	8.0	22.2	4

Percentage of Working Age Americans Who Report Asthma by Employment Status and Age

	18-29	30-44	45-64
Employed Full-Time or Voluntarily Part-Time	12.3	9.4	8.5
Employed Part-Time but wanting Full-Time Work	16.7	13.2	11.3
Unemployed and looking for Work	18.0	14.8	12.6
Not in workforce	14.9	16.7	18.0