

# Compliance with the WHO International Code of Marketing for Breast-milk Substitutes

A guide for calculating Fair Market Price (FMP) for formula and feeding accessories to accompany the FMP tool

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## **Introduction:**

Hospitals on the pathway toward becoming baby friendly will need to demonstrate compliance with the International Code of Marketing for Breast-milk Substitutes, a WHO policy requiring maternal care facilities to purchase formula and feeding peripherals at fair market price (FMP). The example in this document is a step-by-step guideline for hospitals to follow when determining FMP at each of their individual locations.

## **Definition of Fair Market Price according to the BFHI criteria (November 28, 2011)**

***Fair Market Price<sup>1</sup>:*** The International Code of Marketing of Breast-milk Substitutes, and subsequently, the BFHI, calls for health systems to purchase infant foods and feeding supplies at a fair market value. Fair market pricing can be determined by 1) purchasing through a buying group that the facility participates in, or 2) determining the margin of retail price the facility pays on other items available on the retail market. To do this, take the following steps:

- Ask a facility purchasing agent to provide unit prices for 3 or more items purchased for use on the maternity unit that are also available on the retail market (e.g., diapers, wipes, sanitary napkins, etc.).
- Price those items, as well as the brands of infant formula and feeding supplies (bottles, nipples, pacifiers, etc.) used in the hospital, at retail and discount outlets such as Sams Club, BJ's, grocery stores, drug store chains, etc. and average the unit retail price.
- Calculate the percentage of retail price paid for those items by the hospital.

For example, if the hospital purchases diapers at 55% of retail cost, wipes at 75% and sanitary napkins at 40%, then the hospital pays a range of 40-75% of retail price. A price paid for formula in that discount range would be considered a fair market price.

## **FMP Tool in Excel**

We have created a tool in Excel for calculating FMP. Places where hospital inputs are needed are noted throughout this example. The excel document is available for downloading on the MDPH website.

## **How to Determine Hospital Discount on Items Purchased by the Hospital**

1. Determining the average hospital discount on maternity items will require hospitals to obtain pricing information from their purchasing department. Hospitals will need to determine 3 things: 1. Items that are typically purchased on the maternity floor. 2. The purchase price of each item 3. The corresponding quantity of each item. The example in TABLE 1 below, indicates illustrative examples of hospital prices for purchasing common items used on the maternity floor: Wipes, Diapers, Hydrocortisone cream, Dubicaine cream, Tucks witch hazel pads, Bulb syringes, Baby wash and Sanitary napkins.

**Note: if your individual hospital does not purchase an item listed, you can include an item that it does purchase after you download the tool.**

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<sup>1</sup> Guidelines & Evaluation Criteria for the Baby-Friendly Hospital Initiative, 2010 (updated 11/28/11)  
Baby-Friendly USA, Inc.

2. Retail prices on the same items were sourced from local stores in Massachusetts as well as online retailers. It is appropriate to include a range of retail sources. Examples include a retail chain pharmacy (e.g., CVS), an online general retailer (e.g., Amazon), a chain baby products retailer (e.g., Babies R US) and a chain general retailer (e.g., Target). The price per unit was calculated to determine the hospital discount on each item. Hospitals should use the retailers and prices in the filled out columns in Table 1 as a guideline for obtaining local retail prices in their individual locations. The cost principles of BFHI require hospitals to use prices of local retailers over online prices in the calculation for hospital discount.

**Formula: 1- (Hospital Price per unit/retail price per unit) = hospital discount off of retail price**

<b>TABLE 1</b>	<b>HOSPITAL DISCOUNT for MATERNITY ITEMS</b>								
	<b>Hospital Price</b>			<b>Retail Price per Unit</b>				<b>Discount</b>	
<b><i>Maternity Floor</i></b> <b><i>Product</i></b>	<b><i>Price</i></b>	<b><i>Quantity</i></b>	<b><i>Price Per Unit</i></b>	<b><i>Retail Chain Pharm</i></b>	<b><i>Online General Retailer</i></b>	<b><i>Chain Baby Products Retailer</i></b>	<b><i>Chain General Retailer</i></b>	<b><i>Avg Retail Price per unit</i></b>	<b><i>Hospital Discount</i></b>
Wipes	\$2.00	100	0.02	0.05	0.02	0.03	0.03	0.03	38%
Diapers	\$3.00	100	0.03	0.34	0.25	0.32	0.26	0.29	90%
Hydrocortisone cream	\$35.00	100	0.35	2.995	2.6	N/A	4.99	3.53	90%
Dubicaïne cream	\$40.00	100	0.40	N/A	5.89	N/A	N/A	5.89	93%
Tucks/witch hazel pads	\$3.00	100	0.03	0.089	0.069	N/A	N/A	0.08	62%
Bulb syringe	\$40.00	100	0.40	3.99	2.28	N/A	0.5	2.26	82%
Baby Wash	\$3.00	100	0.03	0.3	0.52	0.266	0.199	0.32	91%
Sanitary Napkins	\$4.00	100	0.04	0.20	0.22	N/A	0.2	0.21	81%

**How to Determine Retail Price**

1. Retail prices on formula should be sourced from local retailers, when available in the hospital's surrounding area. Prices below are shown for one can of formula powder for each of the brands listed below. The net weight of the can should be recorded to calculate price per ounce of prepared formula. The net weight is located on the label of the can of formula. Preparing one ounce of formula requires .5 scoops of powder. Since each can of powder formula varies in weight, the weight per one scoop should be obtained and recorded. The weight per scoop is also located on the label of the can of formula. See the example on the far right column in TABLE 2 below.

<b>TABLE 2</b>	<b>Retail prices for Cans of Formula Powder</b>				
<b>Product</b>	<b>CVS</b>	<b>Amazon</b>	<b>Babies are Us</b>	<b>Target</b>	<b>Gram/scoop of Powder</b>
<b>Abbott Nutrition</b>					
Similac Expert Care Alimentum	29.99 for 454g	20.45 for 454g	29.99 for 454g	27.49 for 454g	8.7
Similac Advance	16.19 for 352g	20.99 for 658g	24.99 for 658g	23.99 for 658g	8.7
Similac Expert Care Neosure	17.99 for 371g	17.79 for 371g	17.99 fro 371g	16.59 for 371g	9.6
Similac Sensitive Soy Isomil	17.99 for 352g	19.98 for 352g	N/A	26.49 for 658g	8.8
<b>Mead Johnson</b>					
Prosobee Lipil	16.99 for 366g	16.99 for 366g	N/A	N/A	8.9
Emfamil Enfacare Lipil	16.99 for 363g	15.53 for 363g	N/A	16.59 for 363g	9.8
Enfamil Newborn	25.99 for 629g	24.98 for 663g	24.99 for 629g	24.99 for 629g	8.7
Enfamil Premium infant	25.99 for 629g	24.98 for 629g	24.99 for 629g	24.99 for 629g	8.8
<b>Nestle</b>					
Good Start Gentle	16.99 for 340g	8.49 for 340g	24.99 for 658g	N/A	8.9
Good Start Soothe	27.99 for 658g	24.99 for 658g	24.99 for 658g	N/A	8.7
N/A = item not for sale in online retailer					

2. Formula used to calculate the cost of one ounce of prepared formula in TABLE 3:

$$\left[ \frac{\text{grams of powder per scoop} \times .5}{\text{grams of powder per can}} \right] \times \text{price of can} = \text{price per ounce of formula}$$

The average retail price per one ounce of formula in this example is \$0.20. To simplify pricing, \$0.20 should be used to calculate average price per ounce for all formulas and should be multiplied by the number of liquid ounces of formula in each can of powder. This information is easily obtained from the label (usually 96oz for all Similac and Mead Johnson formulas and 144oz. for Nestle and Enfamil formulas).

<b>TABLE 3</b>	<b>Retail Prices per ounce of prepared formula</b>				
<b><u>PRODUCT</u></b>	<b><u>Price per Ounce</u></b>				
<b><u>INFANT FORMULA POWDER</u></b>	<b><u>CVS</u></b>	<b><u>Amazon</u></b>	<b><u>Babies are Us</u></b>	<b><u>Target</u></b>	<b><u>AVERAGE</u></b>
<b><i>Abbott Nutrition</i></b>					
Similac Expert Care Alimentum	0.29	0.20	0.29	0.26	0.30
Similac Advance	0.20	0.14	0.17	0.16	0.20
Similac Expert Care Neosure	0.23	0.23	0.23	0.21	0.20
Similac Sensitive Soy Isomil	0.22	0.25	N/A	0.18	0.20
<b><i>Mead Johnson</i></b>					
Prosobee Lipil	0.21	0.21	N/A	N/A	0.20
Emfamil Enfacare Lipil	0.23	0.21	N/A	0.22	0.20
Enfamil Newborn	0.18	0.16	0.17	0.17	0.20
Enfamil Premium infant	0.18	0.17	0.17	0.17	0.20
<b><i>Nestle</i></b>					
Good Start Gentle	0.22	0.22	0.22	N/A	0.20
Good Start Soothe	0.19	0.17	0.17	N/A	0.20
				<b><u>AVG --&gt;</u></b>	<b><u>0.20</u></b>

Prices for peripheral feeding accessories should also be obtained. Note that many of these items are not available on the retail market and prices should be obtained from the manufacturer instead. The items in TABLE 4 were sourced from [www.abbotstore.com](http://www.abbotstore.com) and [www.enfamil.com](http://www.enfamil.com).

**Note: Standard hospital purchasing quantities (highlighted in yellow in TABLE 4) will need to be obtained from purchasing departments in hospitals. This information should be manually entered for each item in the highlighted column.**

<b>TABLE 4</b>	<b>Retail Pricing for feeding Accessories</b>				
<b>Peripherals</b>	<b>Manufacturer Price</b>	<b>Manufacturer units per case</b>	<b>Manufacturer price/unit</b>	<b>Hospital Purchasing Units per Case</b>	<b>Retail Price Per Case</b>
<b>Abbott Nutrition</b>					
Infant Nipple	48.99	50	0.98	100	98.00
Sterile Water	79.00	48	1.65	100	165.00
<b>Mead Johnson</b>					
5% Glucose In Water	84.00	48	1.75	100	175.00
Cross Cut Nipple	94.00	96	0.98	100	98.00
Standard-Flow Nipple	94.00	96	0.98	100	98.00
Soft-Flow nipple	94.00	96	0.98	100	98.00
GradUFeed Nurser	103.00	100	1.03	100	103.00
Sterile water	84.00	48	1.75	100	175.00

**How to Calculate Fair Market Price (FMP)**

1. To calculate the FMP, the retail prices per case will be discounted using the average hospital discount ascertained from TABLE 1. This will be automatically calculated when you manually enter the cells highlighted in yellow in the FMP calculator tool.

**Note: Table 5 will automatically populate the average discount in the FMP calculator tool when the highlighted columns in Table 1 and Table 4 are manually entered.**

In this example, the average percent discount that hospitals received is 78% off of retail price. This discount is reflected in TABLE 5 to determine FMP for formula and peripheral feeding accessories.

<b>TABLE 5</b>	<b>Fair Market Pricing</b>		
<b>Product</b>	<b>*Average Retail Price Per Case</b>	<b>Average Hospital Discount</b>	<b>Fair Market Price Per Case</b>
<b>Abbott Nutrition</b>			
Similac Expert Care Alimentum	\$19.00	78%	\$4.00
Similac Advance	\$19.00	78%	\$4.00
Similac Expert Care Neosure	\$19.00	78%	\$4.00
Similac Sensitive Soy Isomil	\$19.00	78%	\$4.00
<b>Mead Johnson</b>			
Prosobee Lipil	\$29.00	78%	\$6.00
Emfamil Enfacare Lipil	\$29.00	78%	\$6.00
Enfamil Newborn	\$29.00	78%	\$6.00
Enfamil Premium infant	\$29.00	78%	\$6.00
<b>Nestle</b>			
Good Start Gentle	\$29.00	78%	\$6.00
Good Start Soothe	\$29.00	78%	\$6.00
<b>FMP for Average Sized Case of Prepared Formula --&gt;</b>			<b>\$5.20</b>
<b>PERIPHERALS</b>			
<b>Abbott Nutrition</b>			
Infant Nipple	\$98.00	78%	\$21.00
Sterile Water	\$165.00	78%	\$36.00
<b>Mead Johnson</b>			
5% Glucose In Water	\$175.00	78%	\$38.00
Cruss Cut Nipple	\$98.00	78%	\$21.00
Standard-Flow Nipple	\$98.00	78%	\$21.00
Soft-Flow nipple	\$98.00	78%	\$21.00
GradUFeed Nurser	\$103.00	78%	\$22.00
Sterile water	\$180.00	78%	\$39.00
<b>Average FMP for Nipples --&gt;</b>			<b>\$21.00</b>
<b>Average FMP for Water --&gt;</b>			<b>\$38.00</b>
<b>Average FMP for Nurser --&gt;</b>			<b>\$22.00</b>

**Example of Hospital-Proposed Baby Friendly Prices**

The below highlighted unit prices are an example of what the hospital (in this example) has offered (this will need to be determined by hospital staff, after FMP is calculated and purchasing unit sizes are obtained).

The prices below demonstrate FMP, using the pricing information obtained in this example. For instance, we determined that the average price of retail formula is .20 per oz. The unit size per can is 2oz and the 60 units per case are representative of a typical purchasing unit by the hospital (in this example). This is equivalent to 120 oz per case; therefore, the average retail price of this amount of prepared formula would be \$24.00. Factoring in the average hospital discount of 78%, the FMP for one case of formula is \$5.20.

**Reminder: Units per case must be manually entered into TABLE 4 before hospitals can determine their FMP for formula and feeding peripherals.**

<b>Hospital Proposed Baby Friendly Pricing</b>				
<b>Item</b>	<b>Unit Size</b>	<b>Units per case</b>	<b>Unit Price</b>	<b>Case Price</b>
Formula	2oz	60	0.087	\$5.20
Nipples	1 nipple	100	0.21	\$21.00
Water	2oz plastic nursette	100	0.38	\$38.00
Nurser	1 nurser	100	0.22	\$22.00