

EXECUTIVE SUMMARY *Health system strengthening in FSM and RMI: engagement challenges and strategic perspectives for the 2023 transition*

The U.S. Freely Associated States—the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and the Republic of Palau—maintain a unique long-term relationship with the U.S. Government (USG). Through the Compacts of Free Association these foreign nations receive significant amounts of USG economic assistance to support their island government services, including a substantial portion for the support of critical health services. In addition to these Compact funds, the FAS receive additional financial assistance for health programs through grants from the Department of Health and Human Services (HHS). FSM and RMI are particularly dependent on USG health financing; just 5-15% of these nations' FY 2018 planned health expenditures were supported by local revenues. In this context, the 2023 financing shift from direct Compact economic assistance to Trust Fund financing may impact health systems development in the FSM and RMI as well as potentially reshape relationships between these sovereign nations and the USG/HHS. FSM, RMI, the USG (DOI, HHS), and partners must navigate uncertainty around and the changing modality of ongoing USG health-related financial assistance and engagement. This transition provides an opportunity to strategically review and identify opportunities to strengthen FSM-RMI health systems and USG support for them.

This report first considers the current health system landscape in FSM-RMI, with emphasis on the engagement between HHS and FSM-RMI. It then compares HHS engagement in FSM-RMI with three alternative USG health system support models for health programming in sovereign contexts: USAID, PEPFAR, and USG support for American Indian/Alaskan Native communities through HHS' Indian Health Service (IHS). USAID and PEPFAR are based in international authorization/appropriation structures, while IHS programming is based in a domestic system but targets American Indian tribes, which are sovereign entities. Lastly, this report raises policy considerations for FSM, RMI, USG (/HHS), and other health system development partners.

By including FSM-RMI in HHS' domestic authorization/appropriation structures— thereby making these sovereign nations eligible grant recipients in the same way that states are eligible grant recipients— current HHS engagement implies an expectation that these sovereign nations can implement health programs as states can. FSM and RMI's US-based health systems may support their inclusion in a domestic system. However, with their limited health capacities, significant workforce challenges, developing-world disease burdens, small and isolated populations, and sovereign status, these nations may be more similar to developing countries, rural communities, or AI/AN populations than they are to states. HHS engagement in this region may benefit from a subset operating strategy that considers these nations' developing world context, increases coordination among USG stakeholders, and promotes greater ownership of their respective island health care systems. FSM-RMI health system development may benefit from more local health revenue and improved financial management structures, as well as greater domestic legislative advocacy.

The purpose of this report is to present a high-level strategic perspective on HHS-FSM-RMI engagement that can be used to inform internal FSM-RMI discussions, internal HHS discussions, and joint planning efforts leading up to and through the potential shift in USG engagement in FSM-RMI in 2023. This project was conducted between February 2018 and December 2018. Research drew on published economic, health, and budgetary data; public and private sector documents; academic literature; and interviews with individuals across FSM, RMI, Palau, the USG, and non-governmental organizations.