Fully Fund the Renegotiated Compacts of Free Association and Reduce Compact Impact in U.S. Territories and States Policy Statement

POSITION:
The Compacts of Free Association (COFA) provide a critical source of healthcare funding to the Republic of the Marshall Islands (RMI), the Federated States of Micronesia (FSM), and the Republic of Palau, collectively known as the Freely Associated States (FAS). The upcoming expiration of this financial assistance threatens to disrupt and undermine health service delivery in these jurisdictions after 2023. COFA support for the health systems of these nations and the region must be extended and strengthened through renegotiated COFA. In these renegotiated Compacts, annual financial assistance available to support the health systems of the FAS must equal or exceed current COFA annual grant funding levels. This financial assistance should continue to be structured such that local health priorities drive spending decisions. In addition, jurisdictions and partners should leverage this moment to strategically assess U.S. government engagement in FAS health systems over the period of the COFA and identify opportunities to better support the development of comprehensive, vibrant systems of care that can help rectify these jurisdictions' disproportionate health burdens.

Summary of Recommendations:

- Approve renegotiated COFA prior to 2023/2024 to ensure sustained strategic support for the health systems of the FAS.
- In the renegotiated COFA, extend and increase the financial assistance available for jurisdictions' public health priorities.
- Leverage this moment to assess progress, identify gaps, and promote systems-level change to better support comprehensive, vibrant systems of public health and healthcare in the FAS.

BACKGROUND:
FSM and RMI entered into COFA with the United States in 1986. Palau entered into a similar COFA with the United States in 1994. Under these public laws, these sovereign nations gave the U.S. government unlimited and exclusive use of their land, waterways, and airspace in exchange for U.S. military support, unrestricted travel to the United States, and technical and economic assistance.[1,2] American geopolitical interests in the Pacific region, particularly the threats posed by China and North Korea, underlie the strategic importance of these agreements for American foreign policy.

Though funding mechanisms differ between the FSM-RMI and Palau Compacts, both Compacts are structured such that jurisdiction priorities drive financing decisions. In FSM and RMI, locally-created strategic plans guide funding distribution across six sector grants: education, health, infrastructure, public sector capacity building, private sector development, and environmental protection. In Palau, annual assistance includes support for education, health, and the administration of justice and is distributed with significant autonomy by the Palauan government.

While COFA provisions related to island use, military support, and unrestricted travel are expected to continue in perpetuity, the majority of the financial assistance outlined in COFA is slated to end in 2023 for FSM-RMI and 2024 for Palau. This will negatively impact government operations in the FAS,

particularly in FSM and RMI.[3, i] For example, in recent years, Compact assistance has represented 25% and 33% of the RMI and FSM government budgets.[4] In the health sector, the dependence on COFA financing is even greater: in FY 2019, Compact health sector grants represented 68% and 28% of expected government health expenditures in FSM and RMI.[5] Most of these health sector funds in both FSM and RMI go to recurrent operational expenses for hospitals, such as personnel, medical equipment, or electricity.[6] Should these funds expire, the heightened uncertainty around jurisdictional health budgets could disrupt health planning and impact service delivery, and a decline in jurisdictional health budgets would reduce access to care and strain available health professionals and services.

This possibility is especially dire considering these jurisdictions' significant health burdens and limited health infrastructure. The FAS face a chronic disease crisis, including some of the highest rates of obesity and diabetes in the world.[7,8] With high rates of poverty and limited access to care, these jurisdictions also face infectious disease challenges, (e.g. tuberculosis incidence rates more than 10 times those of the broader United States).[9,10] These health disparities are intensified by significant workforce development challenges and limited local data capacity. With underdeveloped preventive care systems and a reliance on off-island travel for access to specialty care (at significant cost to FAS ministries of health), the FAS need stronger local health systems to efficiently and sustainably improve health outcomes. The expiration of Compact assistance will also have significant repercussions for territorial and state health systems. An estimated 94,000 Compact migrants reside in U.S. areas.[11] These migrants bring value to their communities and the nation through employment, taxes, and high rates of military service. They also bring costs to their hosting jurisdictions. Between 2004 and 2019, Hawaii, Guam, and CNMI (host to approximately half of all COFA migrants) spent $3.2 billion dollars providing education, social, and health services to COFA migrant communities.[12] The current Compacts provide some Compact Impact funding to defray these costs, but this funding falls short of the true need: funds reimbursed to Hawaii, Guam, and CNMI covered just 16% of their total costs during this period, and other jurisdictions with significant COFA migrant communities (including Washington state, Arkansas, and Oregon) are not eligible for Compact Impact funds.[13] Congress' recent restoration of COFA migrants' eligibility for Medicaid will reduce some, but not all, of these healthcare costs moving forward. With rising sea levels and limited economic development prospects, outmigration from the FAS to territories and states is expected to increase. Health-related outmigration will increase as these dynamics weaken the diagnostic, preventive, and healthcare services available in the FAS.

Compact assistance has supported FAS health system improvement, including increased access to pharmaceuticals, more efficient hospitals, and the provision of additional public health services. These changes have prompted improved health outcomes, such as reduced maternal mortality rates and longer lifespans. However, the FAS continue to lag behind territories and states in many key health indicators. As Congress and federal partners negotiate updated agreements, they should also use this moment to assess how current COFA structures have contributed to FAS health system development. Partners should capitalize on opportunities for complementary systems-level change to support vibrant systems of care in the FAS moving forward.

[i] Compact Trust Funds have been established to replace direct financial assistance post-2023/2024. However, GAO reports have indicated that these Trust Funds are not likely to fully replenish direct assistance or be a sustainable source of long-term income.

RECOMMENDATIONS:

To strengthen health systems in the FAS and the broader Pacific region, ASTHO recommends Congress and federal partners:

1. Approve renegotiated COFA prior to 2023 to ensure sustained, strategic support for the health systems of the FAS.
2. In the renegotiated COFA, extend and increase the financial assistance available for jurisdiction health priorities.
    a. Annual financial assistance available to support the health systems of the FAS should equal or exceed current COFA annual grant funding levels.
    b. This financial assistance should be structured such that local health priorities continue to drive spending decisions. In recent years, FAS leadership has elected to use COFA health funding to maintain healthcare operations and infrastructure.
3. Assess progress, identify gaps, and promote systems-level change to better support comprehensive, vibrant systems of public health and healthcare in the FAS.
    a. Optimize U.S. government engagement in FAS health systems. Improving federal health support for the FAS will benefit the FAS and the broader United States: strong health systems within the FAS will support healthier communities locally, reduce the need for international travel for healthcare, and reduce the strain on territorial and state health systems that host FAS travelers and migrants.
    b. Improve data on FAS health outcomes, COFA financial processes, and regional quality improvement metrics. To optimize future health system strengthening efforts in the Pacific, federal partners should seek additional data to assess U.S. government health engagement in this region. This may include:
        i. A comprehensive assessment, similar to the 1998 “Pacific Partnerships for Health” report by the Institute of Medicine, that profiles population health data, federal public health funding, and growth opportunities for FAS health systems.
        ii. An assessment of the costs associated with providing services to COFA migrants within territories and states.
        iii. A mapping of key services not available on-island in the FAS, as well as the costs associated with these jurisdictions’ reliance on off-island care.
    c. To address current and future FAS public health needs, partners may consider:
        i. Additional tools to support workforce development (e.g. U.S. public health service officer placements in the FAS and/or the development of an HHS attaché in the USAPI).
        ii. Opportunities to expand eligibility for essential health service delivery programs in the FAS (e.g. FAS inclusion in the Vaccines for Children Program (currently reliant on discretionary funding under Section 317 of the Public Health Service Act)).
        iii. Opportunities to empower jurisdictions through improved data capacity and visibility (e.g., including FAS data in federal health databases).
        iv. Strategies to improve support for specialized populations (e.g. increased access to VA services in the FAS given the very high induction rates of these jurisdictions and lack of basic VA services and supports).

APPROVAL DATES:

Population Health & Informatics Policy Committee Approval: August 20, 2021
Insular Affairs Subcommittee Approval: August 20, 2021

Board of Directors Approval: October 20, 2021
Policy Expires: October 31, 2024

ASTHO membership supported the development of this policy, which was subsequently approved by the ASTHO Board of Directors. Be advised that the statements are approved as a general framework on the issue at a point in time. Any given state or territorial health official must interpret the issue within the current context of his/her jurisdiction and therefore may not adhere to all aspects of this Policy Statement.

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[1] P.L. 99-239, Compact of Free Association Act of 1985.
[2] P.L. 99-658, Palau Compact of Free Association Act, and P.L. 101-219, Palau Compact of Free Association Implementation Act.
[3] David Gootnick, "Compacts of Free Association: Actions Needed to Prepare for the Transition of Micronesia and the Marshall Islands to Trust Fund Income." Government Accountability Office, May 2018. Available at https://www.gao.gov/products/gao-18-415
[4] Congressional Research Service, "The Freely Associated States and Issues for Congress." October 7, 2020. Available at https://crsreports.congress.gov/product/pdf/R/R46573/2.
[5] Wheatley, Alex and Banerji, Subroto (2019) "Health Engagement Challenges and Strategic Perspectives for the 2023 Health Financing Transition in the Federated States of Micronesia and the Republic of the Marshall Islands," *Pacific Journal of Health*: Vol. 2 : Iss. 1 , Article 1. Available at: https://scholarlycommons.pacific.edu/pjh/vol2/iss1/1
[6] Ibid.
[7] NCD Risk Factor Collaboration. "Trends in Adult Body-Mass Index in 200 Countries From 1975 to 2014: A Pooled Analysis of 1698 Population-Based Measurement Studies with 19.2 Million Participants." *The Lancet* 387, no. 10026 (April 2, 2016): 1377–96. https://doi.org/10.1016/S0140-6736(16)30054-X.
[8] Pacific Island Health Officers' Association . Pacific Islands Health Officers Association Board Resolution #48-01. https://www.pihoa.org/wp-content/uploads/2019/08/NCD-Emergency-Declaration-48-01.pdf. Published May 24, 2010.
[9] CDC, "Island Health." National Center for Chronic Disease Prevention and Health Promotion. https://www.cdc.gov/chronicdisease/resources/publications/factsheets/island-health.htm. Accessed June 7, 2021.
[10] WHO, Tuberculosis Profiles for FSM, RMI, Palau, and the United States, "Estimates of TB Burden, 2019." Data available at https://worldhealthorg.shinyapps.io/tb_profiles/?_inputs_&entity_type=%22country%22&lan=%22EN%22&iso2=%22US%22.
[11] David Gootnick, "Compacts of Free Association: Populations in U.S. Areas Have Grown, with Varying Reported Effects." Government Accountability Office, June 2020. Available at https://www.gao.gov/assets/gao-20-491.pdf.
[12] Congressional Research Service, "The Freely Associated States and Issues for Congress." October 7, 2020. Available at https://crsreports.congress.gov/product/pdf/R/R46573/2.
[13] Ibid.