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September 12, 2013

Technical Director File Reference No. 2013-270 FASB 401 Merritt 7, PO Box 5116 Norwalk, CT 06856-5116

Dear Technical Director

Invitation to comment – Revised Exposure Draft - Leases

Thank you for the opportunity to comment on the Financial Accounting Standards Board's (FASB) Revised Exposure Draft (ED) Leases.

Allina Health System is a Minnesota nonprofit corporation with revenues of \$3.3 billion and assets of \$3.2 billion. Allina Health is located in Minnesota and western Wisconsin and consists of eleven hospitals, physician clinics, and various other health related entities and foundations supporting health related services. Allina Health employs over 24,500 employees.

Allina Health is engaged in both capital and operating leases of real estate and equipment. In 2012, Allina Health recorded \$45 million of operating lease expense and disclosed \$147 million of aggregate future minimum operating lease payments, had \$5.2 million of capitalized lease debt, and \$25.6 million of financing obligation liability relating to space lease obligations in which Allina Health is considered the owner of the building under current lease accounting guidance.

We are rated AA3, AA- and rating agencies include a simple analysis and adjustment for the impact of operating leases using information in the notes to our financial statements.

We agree with the Board's efforts to improve lease accounting. However, we do have certain concerns with the revised ED.

The proposed approach to recording leases on the balance sheet and providing more information to financial statement users needs to be simpler and less costly. The proposed two expense methods based on consumption of significant portion, adds undo complexity that will be costly to administer. Given health care reform and Accountable Care Organizations, healthcare is at a critical time to lower costs and cannot afford to manage this complex lease accounting. We also believe all lease information should be recorded consistently using one method to continue ease of use. The lease for any type of asset is merely paying for use and there should be one method to

account for all types of leases. How much of the asset is used up is irrelevant to the lessee. The lessor builds that into the lease cost and the lessor still owns the asset.

The exposure draft does not sufficiently address short-term leases. There are month-to-month leases with no term requirements that can be extended each month beyond a twelve month period or ended any month.

Based on the background provided in this comment, we strongly believe a viable alternative for consideration is: expense the lease payments to lease expense as paid; determine the right to use asset and lease liability based on the lease contract and discount rate; reduce both the asset and liability using a straight-line method, which would offset each other.

Thank you for your consideration of this comment letter. If there are any questions, please contact Laurie Lafontaine at Laurie.Lafontaine@allina.com or Cathryn Killian at Cathryn.Killian@allina.com.

Respectfully yours,

Allina Health System

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