October 28, 2019

Technical Director
File Reference No. 2019-780
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116
Via email: director@fasb.org

Dear Technical Director:

Geisinger appreciates this opportunity to comment on the Financial Accounting Standards Board's (FASB's) exposure draft of the revised proposed Accounting Standards Update, Debt (Topic 470): Simplifying the Classification of Debt in a Classified Balance Sheet (Current versus Noncurrent).

As proposed, the accounting standards update would require short-term classification for Variable Rate Debt Obligations (VRDOs) which would have a significant impact on financial metrics and debt covenants of healthcare organizations. This change would unduly impact and skew metrics of healthcare organizations, including Geisinger, who happen to be using VRDOs backed by a Letter of Credit (LOC) or standby bond purchase agreement (SBPA) as their long-term financing vehicle, causing incongruent comparisons of debt metrics among healthcare organizations. Consequently, such debt would only be considered noncurrent after a failed remarketing, which seems counter intuitive.

VRDOs were developed as a viable alternative for long-term financing arrangements. The option to finance via VRDO backed by a LOC or SBPA has been seen as interchangeable with other long-term financing options such as direct purchase, floating rate notes, or fixed rate bonds. It is intended to be a long-term debt vehicle in practice.

Approximately 15% or $242 million of Geisinger's tax-exempt revenue bonds are in the form of VRDOs backed by SBPAs. This debt is properly classified as long-term on Geisinger's balance sheet, a classification that excludes it from working capital and reflects the expected repayment terms. The SBPAs in Geisinger's portfolio are specifically structured with a thirteen-month maturity which further supports the long-term classification. In the worst-case scenario that our bonds had to be called, the resulting repayment schedule would be long-term debt with a current portion. In the normal payment scenario, it is misleading to report as if these will require use of current resources.

Classification of these debts as current liabilities would misinform many financial statement users about Geisinger’s true levels of working capital and liquidity and their financial outlook. Changes to debt structure to avoid this misinformation or misinterpretation would result in significant administrative burden and substantial incremental costs.

We respectfully request review and reconsideration of this provision as it will result in financial statement misinterpretation and perhaps lead to additional administrative burden and expense for healthcare organizations.

We support a provision to the proposed update allowing VRDOs that are contractually linked to a long-term LOCs or SBPAs to continue to be classified as long-term.
The concept of the contractual linkage would appear to be a practical solution that would more appropriately reflect the intent and economics of the entire financing transaction. At a minimum, we suggest that existing VRDO financing arrangements in place be grandfathered from the proposed classification to avoid unnecessary additional costs and administrative burden.

Thank you for the opportunity to comment. If we can provide additional material or perspective on this issue, please contact Erin Fitzgerald at emfitzgerald@geisinger.edu or 570-214-2299.

Sincerely,

Erin Fitzgerald
Geisinger
Corporate Accounting Officer