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PROVIDENCE
Health & Services

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November 10, 2008

Florence E. Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

File No. 4-573
RE: SEC Study of Mark-to-Market Accounting

Dear Secretary Harmon:

On behalf of Providence Health & Services (Providence), I want to thank you for the opportunity to provide our comments to the Securities and Exchange Commission (SEC) on the study of mark-to-market accounting. SEC published a request for public comment in the *Federal Register* (Vol. 73, No. 199, pages 60737-60738) on October 14, 2008.

Providence is a faith-based, non-profit health system that includes 26 hospitals, more than 34 non-acute facilities, physician clinics, a health plan, a liberal arts university, a high school, approximately 50,000 employees, and numerous other health, housing, and educational services in Alaska, Washington, Montana, Oregon, and California.

Under the Emergency Economic Stabilization Act of 2008 (the "Act"), the SEC was tasked with conducting a study of mark-to-market accounting applicable to financial institutions, including depository institutions. The Act specifically refers to Statement Number 157 (Fair Value Measurements) of the Financial Accounting Standards Board (FASB) and requires the study to consider several issues, including the advisability and feasibility of modifying FASB accounting standards.

Providence is a Catholic-sponsored not-for-profit organization that sponsors a cash balance retirement plan that is a church plan under the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended. With respect to this pension plan, Providence is subject to Statement Number 158 (Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans). This standard requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its financial statement using fair value measurements.

One of the goals of fair value measurements is to present a transparent picture of a defined benefit plan's postretirement funded status. By moving a contingent, long-term liability or asset from the financial statement's footnotes directly onto the balance sheet, Statement Number 158 has had a significant impact on organizations. Although Providence, in general, supports the concept of transparency, we are concerned about the effects of Statement Number 158 in this volatile market.

Over the last several months, Americans have seen business and banking failures, a widespread mortgage crisis, a roller-coaster stock market, and unprecedented "bailout" and economic stimulus legislation. From all indications, our economy will continue to struggle as the country works through anticipated credit card and automobile loan defaults. Somewhat lost in the media portrayals of Wall Street and Main Street woes is the plight of the not-for-profit sector. The ability of public and private not-for-profit organizations to issue bonds for raising much-needed funds for capital has alarmingly disappeared. Even Providence, with our excellent AA bond rating, has had to make some tough decisions because of our difficulty meeting existing and planned capital needs.

By adhering to the fair value accounting standards, Providence fears that our favorable bond rating may be adversely affected as our debt-to-equity ratio increases. As challenging as the last months have been, we have an even greater concern that our ability to issue bonds next year will be virtually impossible, especially with the possibility of a lower bond rating.

The ability of the not-for-profit sector to successfully issue bonds to raise funds for capital expenditures is a key component of unfreezing the credit market. Unfortunately, using mark-to-market accounting in today's unstable economy significantly jeopardizes this ability and will prolong the credit crisis currently seizing the nation.

> **Recommendation:** **Providence urges the SEC to use its authority to *temporarily* suspend the fair value measurement accounting standard, as found in Statement Number 158 of FASB, until the current economic situation stabilizes. Because we believe in the principle of transparency, Providence would wholeheartedly support an SEC requirement to provide a clear and unambiguous financial statement footnote detailing defined benefit postretirement plan funding. Once the economy stabilizes, the SEC can reevaluate the need for adherence to fair value measurement accounting.**

Although drastic, Providence believes the temporary suspension of FASB fair value measurement accounting is necessary. We believe that by taking this step, the SEC will be using its power appropriately to unfreeze the credit market, as well as prevent the certain, wholesale termination of the remaining pension plans and other postretirement plans maintained by employers in their efforts to cope with current economic realities.

Thank you for the opportunity to review and comment on the SEC's study on mark-to-marketing accounting. Please contact Beth Schultz, System Manager, Regulatory Affairs, at (206) 464-4738 or via e-mail at Elizabeth.Schultz@providence.org if you have questions about any of the material in this letter.

Sincerely,

John Koster MD

John Koster, M.D.
President/Chief Executive Officer
Providence Health & Services