Northwell Health, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL PERFORMANCE

FOR THE SIX MONTHS ENDED JUNE 30, 2016 and 2015

Management's Discussion and Analysis of Recent Financial Performance

Management's Discussion and Analysis of Recent Financial Performance contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Northwell Health, Inc. ("Northwell") expressly disclaims any obligation or undertaking to issue any updates or revisions to those forward-looking statements if or when their expectations change, or events, conditions or circumstances on which such statements are based occur.

Management's Discussion and Analysis of Recent Financial Performance is based upon the consolidated financial results of Northwell, since the members of the Northwell Health Obligated Group (the "Obligated Group") represented 86.8% of the total consolidated operating revenue and 92.8% of the total consolidated assets of Northwell for the year ended and as of December 31, 2015. Accordingly, the discussion below includes the financial results of entities that are not members of the Obligated Group. For further information, see the Audited Consolidated Financial Statements of Northwell for the years ended December 31, 2015 and 2014 (the "Audited Consolidated Financial Statements") for the consolidating and combining schedules of Northwell and the Obligated Group.

On January 15, 2016, Northwell acquired Peconic Bay Medical Center ("Peconic"), a not-for-profit corporation that operates an acute care hospital and a skilled nursing/rehabilitation center located in eastern Suffolk County, New York. Accordingly, the consolidated financial statements for the six months ended June 30, 2016 include the results of operations of Peconic since the acquisition date. Operating revenue for the period from the acquisition date through June 30, 2016 was $76.2 million for Peconic. Results of operations of Peconic for periods prior to the acquisition date are excluded from the consolidated financial statements. Peconic is not a member of the Obligated Group. Refer to Note D to the Northwell Consolidated Financial Statements for the Six Months Ended June 30, 2016 and 2015 (the "Unaudited Interim Consolidated Financial Statements") for further information.

Effective January 14, 2016, Forest Hills Hospital and Franklin Hospital merged into Long Island Jewish Medical Center. In conjunction with the merger, the names of the hospitals were changed to Long Island Jewish Forest Hills and Long Island Jewish Valley Stream, respectively.

Introduction

For the six months ended June 30, 2016, Northwell's operating income[a] and operating margin were $66.5 million and 1.4%, respectively, compared to $52.7 million and 1.3% for the six months ended June 30, 2015. Operating cash flow margin was 6.7% for the six months ended June 30, 2016, compared to 7.2% for the six months ended June 30, 2015. Total operating revenue grew by $613.5 million or 14.6% in the six months ended June 30, 2016 compared to the six months ended June 30, 2015, while total operating expenses increased $599.7 million or 14.4%.

Operating revenue growth was primarily attributable to increased volume and payment rates, ambulatory and physician network expansion including investments in joint ventures, the impact of the Peconic acquisition, continued revenue cycle initiatives, and increased net health insurance premium revenue associated with higher member enrollment at Northwell's two provider owned health insurance companies, North Shore-LIJ CareConnect Insurance Company, Inc. ("CareConnect") and North Shore-LIJ Health Plan, Inc. ("Health Plan") (collectively, "the Health Insurance Companies"). Operating revenue growth was negatively affected by an increase in inpatient denial activity from commercial

[a] Excess of operating revenue over operating expenses in the consolidated statement of operations is referred to as "operating income" for purposes of Management's Discussion and Analysis of Recent Financial Performance.

payers, along with an actuarially determined increase to the Affordable Care Act (“ACA”) risk adjustment program liability which reduced CareConnect’s net premium revenue.

In addition to incremental costs associated with the increased patient volume and member enrollment, routine cost of living wage adjustments, the impact of inflation on supply and expense price trends, and the acquisition of Peconic, continued investments in the following areas contributed to the growth of total operating expenses: (1) facilities and programs to enhance capacity and rebuild infrastructure; (2) investments in population health management and to further prepare for the migration from fee-for-service to value-based payment models, including investments to grow operations at the Health Insurance Companies; (3) safety, quality and patient experience initiatives; (4) ambulatory and physician network expansion including investments in joint ventures; (5) information technology (“IT”), including investments in electronic health records and other clinical software; and (6) investments in medical research. Expense reductions as a result of the implementation of productivity and efficiency efforts, program consolidation, and supply chain initiatives (including the continuous review of programs to improve the standardization, distribution and utilization of medical and surgical supplies and pharmaceuticals) helped control the growth rate of expenses.

Northwell’s net income[b] and net income margin for the six months ended June 30, 2016 were $129.7 million and 2.7%, respectively, compared to $94.8 million and 2.2% for the six months ended June 30, 2015. Investment income, including net realized gains and losses, and the change in net unrealized gains and losses and change in value of equity method investments, which totaled $67.3 million and $43.4 million, respectively for the six months ended June 30, 2016 and 2015, affected the net income reported for each of these periods.

Management continues to focus on i) patient experience, safety and quality improvements, ii) market share growth, iii) population health management and value-based payment models, iv) diversifying the revenue streams within the Northwell business model, including entering into joint venture arrangements with various partners, and v) actions intended to improve CareConnect’s financial results while continuing to provide affordable, high quality insurance products to its members. Maintaining the balance sheet and positive operating results also remain top management priorities so that Northwell can continue to invest in people, programs and facilities to successfully adapt and respond to changes in the health care industry while continuing to meet the needs of the patients and families in all the communities it serves.

Operations and Net Income Overview

Operating Income, Operating Cash Flow and Net Income

The following table presents a summary of key operating performance results and measures for Northwell for the six months ended June 30, 2015 and 2016. The results of operations of Peconic since the January 15, 2016 acquisition date have been included in this and other tables included herein. Results of operations of Peconic for periods prior to January 15, 2016 are excluded from the consolidated financial statements.

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[b] Excess of revenue and gains and losses over expenses in the consolidated statement of operations is referred to as “net income” for purposes of Management’s Discussion and Analysis of Recent Financial Performance with the following exceptions:

- 2016 net income excludes the non-cash contribution received in the acquisition of Peconic
- 2015 net income excludes the non-cash contributions received in the January 1, 2015 acquisitions of Phelps Memorial Hospital and Northern Westchester Hospital
- 2015 net income excludes the accounting loss on refunding and redemption of long-term debt
- 2015 net income excludes the non-cash gain from the acquired interest in Optum360

($'s In Millions)	**Six Months Ended June 30, 2015**	**Six Months Ended June 30, 2016**
Operating income	$52.7	$66.5
Operating margin	1.3%	1.4%
Operating cash flow [1]	$301.5	$324.9
Operating cash flow margin	7.2%	6.7%
Net income	$94.8	$129.7
Net income margin	2.2%	2.7%

[1] Operating income before interest and depreciation and amortization.

Operating Revenue and Volume

For the six months ended June 30, 2016, total operating revenue increased by $613.5 million or 14.6% compared to the six months ended June 30, 2015, of which $76.2 million of the increase or 1.8%, was related to the acquisition of Peconic.

The following table presents consolidated Northwell operating revenue and certain volume statistics for the six months ended June 30, 2015 and 2016:

($'s In Millions)	**Six Months Ended June 30, 2015**	**Six Months Ended June 30, 2016**
Operating Revenue:		
Net patient service revenue	$3,378.2	$3,732.8
Physician practice revenue	$537.7	$620.7
Provision for bad debts	($53.4)	($60.8)
Total patient revenue, net of provision for bad debts	$3,862.6	$4,292.7
Other operating revenue	$218.4	$248.2
Net health insurance premium revenue [1]	$95.3	$253.5
Net assets released from restrictions used for operations	$33.1	$28.5
Total operating revenue	$4,209.4	$4,822.9
Volume: [2]		
Discharges (excluding nursery)	134,273	143,373
Ambulatory surgery visits	86,631	92,261
Emergency room visits (treated and released)	297,421	317,459
Health center visits (includes urgent care centers)	508,301	575,362
Home care admissions	17,600	20,592
Other outpatient visits	725,860	795,925

[1] Net health insurance premium revenue is shown net of the estimated ACA risk adjustment program liability adjustment of $1.4 million and $53.2 million for the six months ended June 30, 2015 and 2016, respectively.

[2] Volume statistics for both periods exclude physician practice visits, but include statistics from Northwell entities that are not members of the Obligated Group. Volume statistics for the six months ended June 30, 2016 include the following amounts for Peconic from the January 15, 2016 acquisition date: Discharges - 4,346; Ambulatory surgery visits - 1,969; Emergency room visits - 13,355; Home care admissions - 924. Other outpatient visits for the six months ended June 30, 2016 exclude Peconic as these statistics were not available, and health center visits are not applicable. Volume statistics for the six months ended June 30, 2015 exclude Peconic.

Northwell's core business revenue consists of net patient service revenue and physician practice revenue (collectively referred to as "total patient revenue" and reported net of the provision for bad debts). For the six months ended June 30, 2016, Northwell's total patient revenue increased by $430.1 million or 11.1% compared to the six months ended June 30, 2015. The increase was primarily a result of increases in volume greater than the impact of leap year, increases in payment rates, revenue cycle initiatives, continued growth in physician and ambulatory services, and the acquisition of Peconic. The growth in physician and ambulatory services resulted from continued physician recruitment efforts, and the acquisition of existing and opening of new ambulatory centers, including the opening of 23 new GoHealth Urgent Care Centers with a joint venture partner since October 2014. This revenue growth was slightly diminished by an increase in inpatient denial activity from commercial payers.

Together, charity care and the provision for bad debts represent uncompensated care. The estimated cost of uncompensated care remained relatively constant at approximately 2.5% of total patient revenue for both periods presented.

The major components of other operating revenue are laboratory services, grants and contracts, specialty and retail pharmacy sales, health plan risk pool distributions (unrelated to the Health Insurance Companies), and rental income. Other operating revenue increased by $29.8 million or 13.6% for the six months ended June 30, 2016 compared to the six months ended June 30, 2015. The increase was primarily a result of increased revenue from laboratory services, specialty and retail pharmacy sales, rental income, and grants and contracts.

The following table presents Health Insurance Companies specific operating revenue items and certain volume statistics for the six months ended June 30, 2015 and 2016:

($'s In Millions)	**Six Months Ended June 30, 2015**	**Six Months Ended June 30, 2016**
CareConnect net premium revenue	$54.1	$174.6
CareConnect risk adjustment premium reduction	($1.4)	($53.2)
CareConnect net loss	($9.6)	($46.0)
CareConnect members as of period end date	24,222	97,175
Health Plan net premium revenue	$41.2	$79.2
Health Plan net loss	($2.9)	($0.8)
Health Plan members as of period end date	1,977	3,472

CareConnect, a for-profit entity licensed under Article 42 of the New York State Insurance Law, began providing coverage to members both on and off the New York State exchange on January 1, 2014. As of June 30, 2015, there were 24,222 members enrolled. As of June 30, 2016, there were 97,175 members enrolled and the Obligated Group has made a total of $150.6 million in capital contributions to CareConnect through June 30, 2016, since inception.

Health Plan, a tax-exempt health insurance entity authorized by the New York State Department of Health to operate a partial capitation Medicaid Managed Long-Term Care ("MLTC") plan and a Fully Integrated Dual Advantage plan, began providing coverage to MLTC members in November 2013. As of June 30, 2015, there were 1,977 members enrolled in the plans. As of June 30, 2016, there were 3,472 members enrolled and the Obligated Group has made a total of $31.0 million in capital contributions to Health Plan through June 30, 2016, since inception.

CareConnect's net premium revenue and overall operating results were negatively impacted by an actuarially determined increase to the estimated ACA risk adjustment program liability, which amounted to $53.2 million for the six months ended June 30, 2016, compared to $1.4 million for the six months ended June 30, 2015. As of June 30, 2016, included in assets limited as to use was $53.2 million to fund the estimated risk adjustment liability expected to be paid in 2017. The aforementioned funds are excluded from Northwell's days cash on hand calculation.

The ACA risk adjustment program, which affects the individual and small group insurance markets, is a budget neutral program for each state and is intended to transfer premium revenue from insurers that enrolled a healthier population to insurers that enrolled a less healthy population, thereby attempting to eliminate or substantially reduce an insurers' risk of adverse selection of members with costlier and complex health conditions. The risk adjustment program has been controversial and numerous organizations across the nation, including CareConnect, have been requesting the Centers for Medicare and Medicaid Services and state insurance regulators to make adjustments to perceived flaws in the methodology used to calculate the risk adjustments, which particularly disadvantage and challenge smaller and newer insurers. While certain state regulators have expressed a desire to modify the risk adjustment program to address these concerns, the ultimate timing and outcome of any solutions are unknown. As such, the liability for CareConnect noted above is based on the current regulations and methodology in effect and in part on a report from Northwell's external actuaries. Accordingly, management currently anticipates a full year loss of approximately $110 million for CareConnect for 2016 as a result of the current risk adjustment program methodologies outlined by the ACA.

Northwell is continuing to seek regulatory solutions to the risk adjustment program while taking actions intended to improve CareConnect's financial results. As a result of the financial impact of the flawed risk adjustment program, management would reconsider continued participation in the insurance market, or specific insurance products, if the long term financial sustainability of the strategy cannot be reasonably assured.

Operating Expenses

Total operating expenses for the six months ended June 30, 2016 increased by $599.7 million or 14.4% from the six months ended June 30, 2015, of which $74.8 million of the increase or 1.8% was related to the acquisition of Peconic.

Summarized below are the consolidated Northwell operating expenses for the six months ended June 30, 2015 and 2016:

($'s In Millions)	**Six Months Ended June 30, 2015**	**Six Months Ended June 30, 2016**
Operating Expenses:		
Salaries and employee benefits	$2,659.2	$2,909.2
Supplies and expenses	$1,248.6	$1,588.7
Depreciation and amortization	$195.8	$203.6
Interest expense	$53.0	$54.9
Total operating expenses	$4,156.6	$4,756.4

For the six months ended June 30, 2016, salaries and employee benefits increased by $250.0 million or 9.4% compared to the six months ended June 30, 2015. The increase was primarily due to increased staffing associated with the volume increases and the continued investments in strategic initiatives related to the changes in health care delivery and payment models, including investments in physicians and staff to support program expansion within the hospitals and the ambulatory network, investments in IT, and investments in the Health Insurance Companies and Health Solutions (Northwell's care management division established to steward population health and value-based programs). Wage increases, staffing investments in medical research and in various safety, quality and patient experience initiatives throughout Northwell, and the acquisition of Peconic, also all contributed to the growth in salaries and employee benefits.

Supplies and expenses for the six months ended June 30, 2016 increased by $340.1 million or 27.2% compared to the six months ended June 30, 2015. The increase was primarily due to supply costs associated with the increase in volume, increased specialty and retail pharmacies sales, and claim expenses primarily associated with the Health Insurance Companies increased membership. The acquisition of Peconic along with investments in safety, quality and patient experience initiatives, IT, and new physician practices and ambulatory centers also contributed to the increase. Supply chain improvement efforts (which include standardization, distribution and utilization initiatives for medical and surgical supplies and pharmaceuticals) along with productivity and efficiency efforts, helped control the growth rate of supplies and expenses including the impact of inflation.

Depreciation and amortization for the six months ended June 30, 2016 increased by $7.7 million or 3.9% compared to the six months ended June 30, 2015, of which $2.6 million of the increase or 1.3% was related to the acquisition of Peconic. The remaining increase was primarily due to continued investments in IT, facilities and programs.

The increase in interest expense of $1.9 million or 3.6% from the six months ended June 30, 2015 to the six months ended June 30, 2016 was primarily due to real estate financing transactions entered into by Northwell in 2015 and the acquisition of Peconic.

Non-Operating Gains and Losses

The following table presents a summary of non-operating gains and losses for Northwell for the six months ended June 30, 2015 and 2016:

($'s In Millions)	**Six Months Ended June 30, 2015**	**Six Months Ended June 30, 2016**
Non-Operating Gains and Losses:		
Investment income	$27.9	$16.4
Change in net unrealized gains and losses and change in value of equity method investments	$15.5	$50.9
Change in fair value of interest rate swap agreements designated as derivative instruments[1]	$0.4	$0.2
Loss on refunding and redemption of long-term debt	($57.0)	-
Contributions received in the acquisitions of Phelps, Northern Westchester and Peconic	$259.8	$36.4
Gain from acquired interest in Optum360	$115.6	-
Other non-operating gains and losses	($1.7)	($4.3)
Total non-operating gains and losses	$360.5	$99.5

[1] Refer to "*Interest Rate Swap Agreements*" herein.

Due to volatility in the investment markets during the six months ended June 30, 2016 and 2015, Northwell's net gains and losses relating to investments have fluctuated. Refer to the Audited Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements for more information on Northwell's investments.

In May 2015, the outstanding $13.2 million of the Obligated Group's Series 2003 bonds were cash defeased. A loss on redemption of long-term debt of $0.5 million resulted from this cash defeasance.

In June 2015, the Obligated Group issued $503.6 million of revenue bonds through the Dormitory Authority of the State of New York Series 2015A bonds. The Series 2015A bonds were sold at a premium of $39.9 million and bear interest at fixed interest rates, payable semi-annually with a final maturity date of May 2043. The proceeds of the Series 2015A bonds were used to: (i) refund $470.4 million in Series 2005A, 2005B, 2007A and 2009A bonds of the Obligated Group, (ii) finance projects for certain members of the Obligated Group, (iii) pay a portion of the interest on the Series 2015A bonds, and (iv) pay costs of issuance incurred in connection with the issuance of the Series 2015A bonds. A loss on refunding of long-term debt of $56.5 million resulted from the Series 2015A bond transaction, mainly due to the inclusion of interest through the refunding dates, which extend through May 2019, and the write-off of the unamortized original costs of issuance of the refunded bonds in the calculation. However, the refunding transaction resulted in an overall net present value savings to the Obligated Group of approximately $15.0 million.

On January 15, 2016, Northwell acquired Peconic by means of an inherent contribution where no consideration was transferred by Northwell. Northwell is accounting for the business combination by applying the acquisition method, and accordingly, the inherent contribution is valued as the excess of the fair value of assets acquired over the fair value of liabilities assumed as of the acquisition date. Northwell is in the process of finalizing an independent valuation of the assets and liabilities of Peconic and, as a result, has recognized estimated provisional values of Peconic's assets and liabilities in the consolidated statement of financial position as of June 30, 2016. The unrestricted excess of the estimated provisional fair value of assets over liabilities of $36.4 million was recorded as a contribution within non-operating gains and losses in the consolidated statement of operations for the six months ended June 30, 2016. The total provisional contribution received in the acquisition of Peconic increased Northwell's total net assets by $39.7 million, including $2.5 million and $0.8 million related to temporarily and permanently restricted net assets, respectively. Refer to Note D to the Unaudited Interim Consolidated Financial Statements for additional information.

On January 1, 2015, Northwell acquired Phelps Memorial Hospital Association and subsidiaries (collectively, "Phelps") and Northern Westchester Hospital Association and subsidiaries (collectively, "Northern Westchester") by means of inherent contributions where no consideration was transferred by Northwell. Northwell accounted for these business combinations by applying the acquisition method and, accordingly, the inherent contributions received were valued as the excess of Phelps' and Northern Westchester's assets over liabilities. In determining the inherent contributions received, all assets and liabilities were measured at fair value as of the acquisition date. The combined unrestricted excess of the fair value of assets over liabilities of $259.8 million was recorded as contributions within non-operating gains and losses in the consolidated statement of operations for the six months ended June 30, 2015. The total contributions received in the acquisitions of Phelps and Northern Westchester increased Northwell's total net assets by $294.9 million, including $25.9 million and $9.2 million related to temporarily and permanently restricted net assets, respectively. Phelps and Northern Westchester are not members of the Obligated Group. Refer to Note 1 to the Audited Consolidated Financial Statements for additional information.

In April 2015, Northwell entered into an agreement with Optum360, LLC ("Optum360"), a provider of revenue cycle management solutions and technology, for Optum360 to provide end-to-end revenue cycle services for most of Northwell's hospitals, effective July 2015. As part of the agreement, Northwell contributed certain intellectual property related to its internal revenue cycle management functions in exchange for an 8% ownership interest in Optum360. A non-cash gain on the transaction of $115.6 million, representing the difference between the fair value of the interest in Optum360 received in the transaction and the value of the assets contributed, was recorded within non-operating gains and losses in the consolidated statement of operations for the six months ended June 30, 2015. Northwell accounts for this ownership interest under the equity method.

In the June 30, 2015 consolidated financial statements originally issued, the fair value accounting for the Phelps and Northern Westchester acquisitions and the Optum360 equity investment was incomplete, and therefore, certain amounts were deemed provisional at that time. As a result, certain 2015 amounts in the Unaudited Interim Consolidated Financial Statements have been retrospectively adjusted from the provisional amounts previously reported in the June 30, 2015 consolidated financial statements. The impact of such retrospective adjustments resulted in an increase to total net assets of $24.4 million.

Other Changes in Unrestricted Net Assets

For a complete list of other changes in unrestricted net assets for the six months ended June 30, 2016 and 2015, refer to the Unaudited Interim Consolidated Financial Statements.

Fundraising

For the six months ended June 30, 2016 and 2015, Northwell received \$30.5 million and \$21.0 million, respectively, in new net pledges and cash donations. Of the \$30.5 million received during 2016, \$19.9 million was in pledges and \$10.6 million was in cash. Of the \$21.0 million received during 2015, \$11.7 million was in pledges and \$9.3 million was in cash.

Cash and pledges are generally received by the Northwell Health Foundation, Inc. (the “Foundation”), which was formed to solicit, receive and administer funds to be used for major modernization projects, capital acquisitions, special programs and other health care services for the benefit of the members of the Obligated Group and other affiliated tax-exempt organizations of Northwell. The Foundation is not a member of the Obligated Group.

Statement of Financial Position Overview

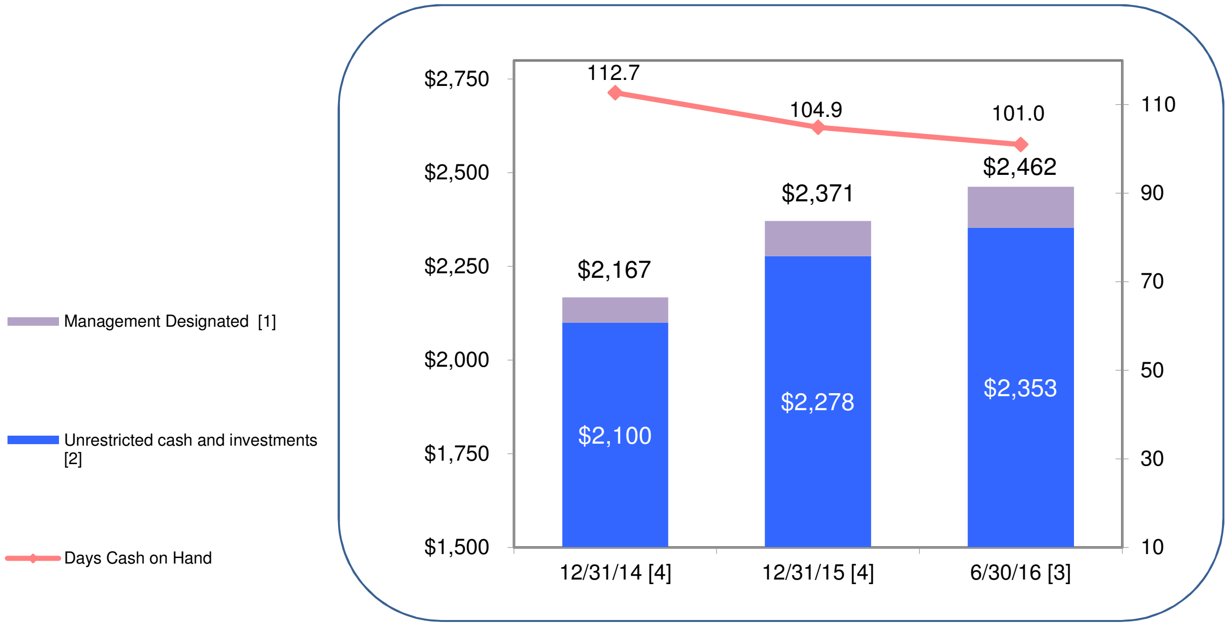
Days cash on hand, long-term debt to cash flow and long-term debt service coverage ratios for June 30, 2016 are calculated using twelve months of operating results, covering the period July 1, 2015 through June 30, 2016, and are presented on a pro forma basis to include a full twelve months of operations for Peconic, although Peconic was acquired by Northwell on January 15, 2016.

Liquidity and Capital Resources

Unrestricted cash and investments increased to \$2.46 billion as of June 30, 2016, from \$2.37 billion as of December 31, 2015, resulting in 101.0 days cash on hand as of June 30, 2016, a decline of 3.9 days from December 31, 2015. Excluding Peconic, days cash on hand for Northwell at June 30, 2016 would have been 101.8 days, or a decline of 3.1 days from December 31, 2015, which management attributes to the timing of cash receipts and expenditures, including those related to strategic investments and capital. Total unrestricted cash and investments is comprised of cash and cash equivalents, marketable securities and other investments (as defined in the Audited Consolidated Financial Statements), and certain management designated funds included in assets limited as to use in the consolidated financial statements.

The following chart presents the total unrestricted cash and investments, in millions, included in the days cash on hand calculations and the days cash on hand at December 31, 2014 and 2015 and June 30, 2016.

Total Unrestricted Cash and Investments and Days Cash on Hand



[1] Management designated funds included in days cash on hand, which are included in assets limited as to use in the consolidated financial statements, were $67.3 million, $93.2 million and $108.7 million as of December 31, 2014 and 2015 and June 30, 2016, respectively. The increases as of December 31, 2015 and June 30, 2016 were related to management designated funds at Northern Westchester received from Northwell.
[2] Comprised of cash and cash equivalents and marketable securities and other investments per the consolidated financial statements.
[3] Days cash on hand calculated on a pro forma basis for June 30, 2016 using a full twelve months of operations for Peconic, which contributed to a 0.8 day decline in days cash on hand as of June 30, 2016.
[4] Derived from the Audited Consolidated Financial Statements. The decrease in days cash on hand from December 31, 2014 to December 31, 2015 was primarily attributable to unrealized investment losses reported for the year ended December 31, 2015 and the effect caused by the acquisitions of Phelps and Northern Westchester.

As a result of the increase in unrestricted cash and investments, Northwell's cash to debt measurement increased to 96.9% at June 30, 2016 compared to 93.3% at December 31, 2015.

Patient Accounts Receivable

Days of total patient revenue in patient accounts receivable were 47 days and 45 days as of June 30, 2016 and December 31, 2015, respectively.

Property, Plant and Equipment

Management monitors and manages capital spending in relation to operations, capital market conditions affecting investments, fundraising and debt capacity. Capital additions totaled $288.0 million and $300.2 million for the six months ended June 30, 2016 and 2015, respectively.

Net assets released from restrictions for capital asset acquisitions totaled $24.6 million and $3.8 million for the six months ended June 30, 2016 and 2015, respectively.

Capital expenditures as a percentage of depreciation and amortization were 141% and 153% for the six months ended June 30, 2016 and 2015, respectively.

Accounts Payable

Days of supplies and expenses in accounts payable were 99 days and 96 days as of June 30, 2016 and December 31, 2015, respectively.

Debt

The following table presents a summary of Northwell's total outstanding debt, debt to capitalization, long-term debt to cash flow and long-term debt service coverage ratio as of and for the year ended December 31, 2015 and twelve months ended June 30, 2016:

($'s In Millions)	**12/31/15**[4]	**6/30/16**
Total outstanding debt[1]	$2,540.3	$2,541.1
Debt to capitalization[2]	45.2%	43.9%
Long-term debt / cash flow[3]	4.5x	4.4x[5]
Long-term debt service coverage	3.6x	3.6x[5]

[1] Total outstanding debt includes long-term debt, capital lease obligations and short-term borrowings.
[2] Capitalization is defined as the sum of total outstanding debt and unrestricted and temporarily restricted net assets.
[3] Long-term debt includes long-term debt and capital lease obligations, net of current portions. Cash flow is defined as net income before all items defined in footnote [c] below, except for interest expense.
[4] Derived from the Audited Consolidated Financial Statements.
[5] Long-term debt to cash flow and long-term debt service coverage ratios for June 30, 2016 were calculated on a pro forma basis including a full twelve months of operations for Peconic.

Northwell's total debt profile as of June 30, 2016 was comprised of 9.7% variable rate debt and 90.3% fixed rate debt. However, the majority of the long-term variable rate debt is hedged under interest rate swap agreements. As such, the effective variable and fixed rate debt is 6.2% and 93.8%, respectively, of the total outstanding debt. Total outstanding debt remained relatively unchanged from December 31, 2015 to June 30, 2016. The increase related to the acquisition of Peconic, which added $41.3 million to Northwell's total outstanding debt as of June 30, 2016, was substantially offset by scheduled principal payments during the six months ended June 30, 2016.

Debt to capitalization improved to 43.9% at June 30, 2016, compared to 45.2% at December 31, 2015. Long-term debt to cash flow also improved to 4.4x at June 30, 2016, compared to 4.5x at December 31, 2015. Cash flow increased by $11.8 million for the twelve months ended June 30, 2016, compared to the year ended December 31, 2015, of which $7.9 million related to Peconic for the twelve months ended June 30, 2016.

The long-term debt service coverage ratio for the twelve months ended June 30, 2016 and for the year ended December 31, 2015, remained unchanged at 3.6x, with a maximum annual debt service ("MADS") of $182.0 million and $175.2 million, respectively. MADS occurs in 2016 for both calculations. Income available for debt service[c] for the twelve months ended June 30, 2016 and the year ended December 31, 2015 was $645.3 million and $630.1 million, respectively.

Northwell primarily uses its short-term borrowings under revolving credit facilities to bridge capital expenditures to be paid with donations and/or bond issues. Short-term borrowings were $110.2 million as of June 30, 2016 and December 31, 2015.

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[c] Net income as defined in footnote [b] before depreciation and amortization, interest expense, the change in net unrealized gains and losses and change in value of equity method investments, and the change in fair value of interest rate swap agreements designated as derivative instruments.

Interest Rate Swap Agreements

Certain members of Northwell have entered into various interest rate swap agreements with financial institutions, matched or related to the term and rate of various bond issues or debt agreements. As of June 30, 2016 and December 31, 2015, the aggregate fair value of the interest rate swap agreements was a liability of $11.4 million and $3.7 million, respectively. The increase was due to the swap agreements in place at the time of the Peconic acquisition.

Swap agreements expose Northwell to credit risk in the event of nonperformance by the counterparties. Northwell believes that the risk of material impact to its consolidated financial statements arising from nonperformance by the counterparties is low.

Commitments and Contingencies

For information on commitments and contingencies, refer to Note I to the Unaudited Interim Consolidated Financial Statements and Note 15 to the Audited Consolidated Financial Statements.

Summary

Revenue growth associated with increased volume, increased payment rates, revenue cycle initiatives and growth in physician and ambulatory services, coupled with expense reductions from supply chain and other productivity and efficiency initiatives, partially offset by investments, including those related to the changing models of health care delivery and payment, and the CareConnect operating results as impacted by the liability for the ACA risk adjustment program, all contributed to the operating results for Northwell for the six months ended June 30, 2016.

Northwell continues to focus on maintaining and improving operating performance despite the challenges and factors pressuring operating margins, including the impact of CareConnect on the overall operating results. Management continues to believe that operating a provider owned insurance company is an effective strategy to manage population health. However, it is one of multiple strategies and tactics currently in place to achieve similar goals. As a result of the financial impact of the flawed risk adjustment program, management would reconsider continued participation in the insurance market, or specific insurance products, if the long term financial sustainability of the strategy cannot be reasonably assured.

Management also continues to focus on operating expense reductions with operational efficiency efforts, program consolidation and supply chain initiatives, while creating additional revenue opportunities through new and enhanced facilities, building a more diversified business model (including expanding joint venture partnerships), physician recruitment efforts, and the on-going migration from fee-for-service to value-based payment models associated with population health management.

Northwell continues to invest in strategic capital projects and technology, including electronic health records and other clinical software, to maintain what management believes is a competitive advantage regarding physician satisfaction and retention, and to improve clinical outcomes, patient experience, and operational processes. In addition, Northwell is making strategic investments in physicians who support key clinical service lines and staff to support the growth in the ambulatory network and outpatient volume, and in various other safety, quality and service initiatives. Management continues to monitor strategic capital needs in relation to operations, capital market conditions affecting investment returns, fundraising and debt capacity, so that Northwell can continue to invest in people, programs and facilities in order to successfully adapt and respond to changes in the health care industry while continuing to meet the needs of the patients and families in all the communities it serves.