Northwell Health, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF RECENT FINANCIAL PERFORMANCE

FOR THE THREE MONTHS ENDED MARCH 31, 2017 and 2016

Management's Discussion and Analysis of Recent Financial Performance

Northwell Health, Inc. ("Northwell"), together with its member corporations and affiliated entities, constitutes an integrated health care delivery system serving the greater New York metropolitan area, and is comprised of 18 owned hospitals, four long-term care facilities, three certified home health care agencies, a hospice network, over 500 ambulatory and physician practice locations, The Feinstein Institute for Medical Research, two health insurance companies, joint ventures, and other entities (collectively referred to as "Northwell").

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 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 83.9% of the total consolidated operating revenue and 90.2% of the total consolidated assets of Northwell for the year ended and as of December 31, 2016. Accordingly, the discussion below includes the financial results of entities that are not members of the Obligated Group. Refer to the Audited Consolidated Financial Statements of Northwell for the years ended December 31, 2016 and 2015 (the "Audited Consolidated Financial Statements") for the consolidating and combining schedules of Northwell and the Obligated Group.

In 2017, Northwell early adopted Accounting Standards Update 2017-07 ("ASU 2017-07"), *Compensation—Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which resulted in the classification of the components of net periodic benefit cost subject to fluctuations in interest rates and the investment markets (those other than the service cost) amounting to $7.2 million for the three months ended March 31, 2017 as a component of non-operating gains and losses in the consolidated statements of operations, outside of operating income, rather than in employee benefits. The corresponding 2016 amounts, aggregating $8.5 million for the three months ended March 31, 2016, have been reclassified from amounts previously reported to conform to the 2017 presentation. As a result of this financial statement reclassification, certain financial ratios previously reported in Management's Discussion and Analysis of Recent Financial Performance have been revised to also conform to the 2017 presentation. Refer to Note C to the Northwell Consolidated Financial Statements for the Three Months Ended March 31, 2017 and 2016 (the "Unaudited Interim Consolidated Financial Statements") for additional information.

Introduction

For the three months ended March 31, 2017, Northwell's operating loss[a] and operating margin were ($36.2) million and (1.4%), respectively, compared to operating income of $29.4 million and a 1.2% operating margin for the three months ended March 31, 2016. Operating cash flow margin was 4.1% for the three months ended March 31, 2017, compared to 6.6% for the three months ended March 31, 2016. Total operating revenue grew by $199.6 million or 8.4% for the three months ended March 31, 2017 compared to the three months ended March 31, 2016, while total operating expenses increased $265.2 million or 11.3%. While year over year operating results have declined due to the timing of certain investments and the loss incurred by CareConnect Insurance Company, Inc. ("CareConnect"), the actual operating loss for the three months ended March 31, 2017, excluding the CareConnect loss, is in line with management expectations. The losses generated by CareConnect are primarily due to the flawed Affordable Care Act ("ACA") risk adjuster program, which was recently addressed by the New York State Department of Financial Services ("DFS") through regulatory updates that mitigate a portion of the financial impact of the flawed program in calendar year 2017 and provides additional regulatory relief in calendar year 2018.

Operating revenue growth was primarily attributable to increased payment rates and volume (primarily associated with the ambulatory and physician network expansion including investments in joint ventures), continued revenue cycle initiatives, and increased premium revenue associated with membership growth at Northwell's two provider owned health insurance companies, CareConnect and North Shore-LIJ Health Plan, Inc. ("Health Plan") (collectively, "the Health Insurance Companies"). Operating revenue growth was negatively affected by an actuarially determined increase to the ACA risk adjustment program liability which reduced CareConnect's premium revenue, along with an increase in inpatient denial activity from commercial payers and a shift in payer mix from traditional commercial payers to lower paying government and health care exchange payers.

The increase in operating expenses was partially attributable to incremental costs associated with the increased patient volume and member enrollment, routine cost of living wage adjustments and the impact of inflation on supply and expense price trends. In addition, 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 scale operations relative to member growth 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.

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

Northwell's net income[b] and net income margin for the three months ended March 31, 2017 were $80.3 million and 3.0%, respectively, compared to $39.6 million and 1.7% for the three months ended March 31, 2016. 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 $128.1 million and $22.4 million, respectively, for the three months ended March 31, 2017 and 2016, 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 insurance products and convenient, high quality services 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 three months ended March 31, 2016 and 2017.

($'s In Millions)	**Three Months Ended March 31, 2016**	**Three Months Ended March 31, 2017**
Operating income (loss)	$29.4	($36.2)
Operating margin	1.2%	(1.4%)
CareConnect operating loss [1]	($4.7)	($22.7)
CareConnect impact on operating margin	(0.3%)	(0.9%)
Operating cash flow [2]	$158.1	$106.2
Operating cash flow margin	6.6%	4.1%
Net income	$39.6	$80.3
Net income margin	1.7%	3.0%

[1] CareConnect's operating loss includes premium revenue reductions of $8.0 million and $29.4 million for the three months ended March 31, 2016 and 2017 respectively, related to the impact of the ACA risk adjustment program.

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

Operating Revenue and Volume

For the three months ended March 31, 2017, total operating revenue increased by $199.6 million or 8.4%, compared to the three months ended March 31, 2016.

[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

The following table presents consolidated Northwell operating revenue and certain volume statistics for the three months ended March 31, 2016 and 2017:

($'s In Millions)	**Three Months Ended March 31, 2016**	**Three Months Ended March 31, 2017**
Operating Revenue:		
Net patient service revenue	$1,839.5	$1,906.2
Physician practice revenue	$298.8	$337.2
Provision for bad debts	($29.7)	($30.4)
Total patient revenue, net of provision for bad debts	$2,108.6	$2,213.0
Other operating revenue	$120.1	$149.3
Health insurance premium revenue [1]	$138.7	$200.1
Net assets released from restrictions used for operations	$13.8	$18.4
Total operating revenue	$2,381.3	$2,580.9
Volume: [2]		
Discharges (excluding nursery)	70,698	71,502
Ambulatory surgery visits	44,125	46,052
Emergency room visits (treated and released)	157,669	154,061
Health center visits (includes GoHealth urgent care centers)	290,051	309,831
Home care admissions	10,033	11,343
Other outpatient visits [3]	371,638	381,994

[1] Health insurance premium revenue is shown net of the estimated ACA risk adjustment program liability of $8.0 million and $29.4 million for the three months ended March 31, 2016 and 2017, 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.

[3] Other outpatient visits for the three months ended March 31, 2016 were restated to conform to the 2017 presentation and both periods exclude Peconic Bay Medical Center as these visits were not available.

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 three months ended March 31, 2017, Northwell's total patient revenue increased by $104.4 million or 5.0%, compared to the three months ended March 31, 2016. The increase was a result of increases in volume (primarily related to continued growth in physician and ambulatory services), increases in payment rates, and revenue cycle initiatives. The growth in physician and ambulatory services resulted from continued physician recruitment efforts, the acquisition of medical group practices, and the acquisition of existing and opening of new ambulatory centers providing ambulatory surgery, cancer care and imaging services, including several majority-owned ambulatory surgery centers recently acquired with joint venture partners. Revenue growth was slightly diminished by an increase in inpatient denial activity from commercial payers and a shift in payer mix from traditional commercial payers to lower paying government and health care exchange 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 $29.2 million or 24.3% for the three months ended March 31, 2017 compared to the three months ended March 31, 2016. The increase was primarily a result of increased revenue from laboratory services, specialty and retail pharmacy sales, and grants and contracts.

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 March 31, 2016, there were 90,115 members enrolled. As of March 31, 2017, there were 117,733 members enrolled, of which approximately 13,500 enrolled through the exchange. The Obligated Group has recorded a total of $292.6 million in capital contributions to CareConnect from inception through March 31, 2017.

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 March 31, 2016, there were 2,988 members enrolled in the plans, compared to 4,743 members as of March 31, 2017. The Obligated Group has recorded a total of $47.0 million in capital contributions to Health Plan from inception through March 31, 2017.

The following table presents components of the Health Insurance Companies' operating results and certain membership statistics for the three months ended March 31, 2016 and 2017:

($'s In Millions)	**Three Months Ended March 31, 2016**	**Three Months Ended March 31, 2017**
CareConnect net premium revenue	$102.7	$137.7
CareConnect risk adjustment program liability	($8.0)	($29.4)
CareConnect operating loss	($4.7)	($22.7)
CareConnect members as of period end date	90,115	117,733
Health Plan net premium revenue	$36.0	$62.4
Health Plan operating loss	$0.0	($3.8)
Health Plan members as of period end date	2,988	4,743

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 $29.4 million for the three months ended March 31, 2017, compared to $8.0 million for the three months ended March 31, 2016. While the estimated ACA risk adjustment program liability for the three months ended March 31, 2016 was only $8.0 million and was based on actuarial estimates using the information available at the time the first quarter 2016 consolidated financial statements were prepared, the risk adjustment liability reducing CareConnect's net premium revenue in the consolidated financial statements for the year ended December 31, 2016 ended up being $120.7 million.

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 ("CMS") 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. In April 2017, definitive guidance on revised risk adjustment regulations was issued by DFS. Based on actuarial assumptions and all available information regarding the New York small group market, DFS determined that a 30% uniform percentage adjustment will be used in applying a market stabilization mechanism effective for the 2017 plan year, and a 40% adjustment for both the small group and individual markets effective for the 2018 plan year. Based on the latest information available on the risk adjusted profile of the CareConnect members compared to the New York market and actuarial assumptions, the regulatory change is estimated to reduce CareConnect's full year 2017 risk adjustment program liability by approximately $40 million, of which $9.8 million of

relief was recognized for the three months ended March 31, 2017 and included in the $29.4 million total net risk adjustment program liability for this period. The overall risk adjustment liability for 2017 is currently estimated to be approximately $120 million, net of the relief, based on the expected 2017 membership.

In addition to the DFS regulatory relief to the risk adjustment program, Northwell is taking other actions intended to improve the financial results of CareConnect and Health Plan, including reconsideration of the continued participation in specific insurance products if their long term financial sustainability cannot be reasonably assured.

Operating Expenses

Total operating expenses for the three months ended March 31, 2017 increased by $265.2 million or 11.3% from the three months ended March 31, 2016.

Summarized below are the consolidated Northwell operating expenses for the three months ended March 31, 2016 and 2017:

($'s In Millions)	**Three Months Ended March 31, 2016**	**Three Months Ended March 31, 2017**
Operating Expenses:		
Salaries and employee benefits	$1,443.7	$1,583.5
Supplies and expenses	$779.5	$891.2
Depreciation and amortization	$101.4	$111.6
Interest expense	$27.3	$30.7
Total operating expenses	$2,351.9	$2,617.7

For the three months ended March 31, 2017, salaries and employee benefits increased by $139.8 million or 9.7%, compared to the three months ended March 31, 2016. The increase was partially 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, such as the New York State Delivery System Reform Incentive Payment Program also known as DSRIP). Wage increases and staffing investments in medical research and in various safety, quality and patient experience initiatives throughout Northwell also contributed to the growth in salaries and employee benefits.

Supplies and expenses for the three months ended March 31, 2017 increased by $111.8 million or 14.3%, compared to the three months ended March 31, 2016. The increase was primarily due to supply costs associated with the increase in volume, increased specialty and retail pharmacy sales, and claim expenses primarily associated with the Health Insurance Companies increased membership. 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 three months ended March 31, 2017 increased by $10.2 million or 10.1%, compared to the three months ended March 31, 2016. The increase was primarily due to continued investments in IT, facilities and programs.

The increase in interest expense of $3.4 million or 12.4% from the three months ended March 31, 2016 to the three months ended March 31, 2017 was primarily due to the issuance of $500 million of Northwell Health Series 2016A taxable bonds in September 2016.

Non-Operating Gains and Losses

The following table presents a summary of non-operating gains and losses for Northwell for the three months ended March 31, 2016 and 2017:

($'s In Millions)	**Three Months Ended March 31, 2016**	**Three Months Ended March 31, 2017**
Non-Operating Gains and Losses:		
Investment income	$10.8	$19.6
Change in net unrealized gains and losses and change in value of equity method investments	$11.6	$108.5
Change in fair value of interest rate swap agreements designated as derivative instruments[1]	$0.2	-
Non-operating net periodic benefit cost	($8.5)	($7.2)
Contribution received in the acquisition of Peconic Bay Medical Center	$36.3	-
Other non-operating gains and losses	($3.8)	($4.3)
Total non-operating gains and losses	$46.6	$116.5

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

Due to volatility in the investment markets during the three months ended March 31, 2017 and 2016, 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.

The non-operating net periodic benefit cost is the result of adopting ASU 2017-07 in 2017. Refer to page 1 for further information.

On January 15, 2016, Northwell acquired Peconic Bay Medical Center ("Peconic") by means of an inherent contribution where no consideration was transferred by Northwell. Northwell accounted for the business combination by applying the acquisition method, and accordingly, the inherent contribution was valued as the excess of Peconic's assets over liabilities. In determining the inherent contribution received, all assets and liabilities were measured at fair value as of the acquisition date. The unrestricted excess of the fair value of assets over liabilities of $36.3 million was recorded as a contribution within non-operating gains and losses in the consolidated statement of operations for the three months ended March 31, 2016. The total contribution received in the acquisition of Peconic increased Northwell's total net assets by $39.6 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.

In the March 31, 2016 consolidated financial statements originally issued, the fair value accounting for the Peconic acquisition was incomplete, and therefore, certain amounts were deemed provisional at the time. As a result, certain 2016 amounts in the Unaudited Interim Consolidated Financial Statements have been retrospectively adjusted from the provisional amounts previously reported in the March 31, 2016 consolidated financial statements. The impact of such retrospective adjustments resulted in a decrease to total net assets of $1.2 million.

Other Changes in Unrestricted Net Assets

For a complete list of other changes in unrestricted net assets for the three months ended March 31, 2017 and 2016, refer to the Unaudited Interim Consolidated Financial Statements.

Fundraising

For both the three months ended March 31, 2017 and 2016, Northwell received $10.9 million in new net pledges and cash donations. Of the $10.9 million received during 2017, $4.4 million was in pledges and $6.5 million was in cash. Of the $10.9 million received during 2016, $5.5 million was in pledges and $5.4 million was in cash.

Cash and pledges are generally received by the Northwell Health Foundation (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

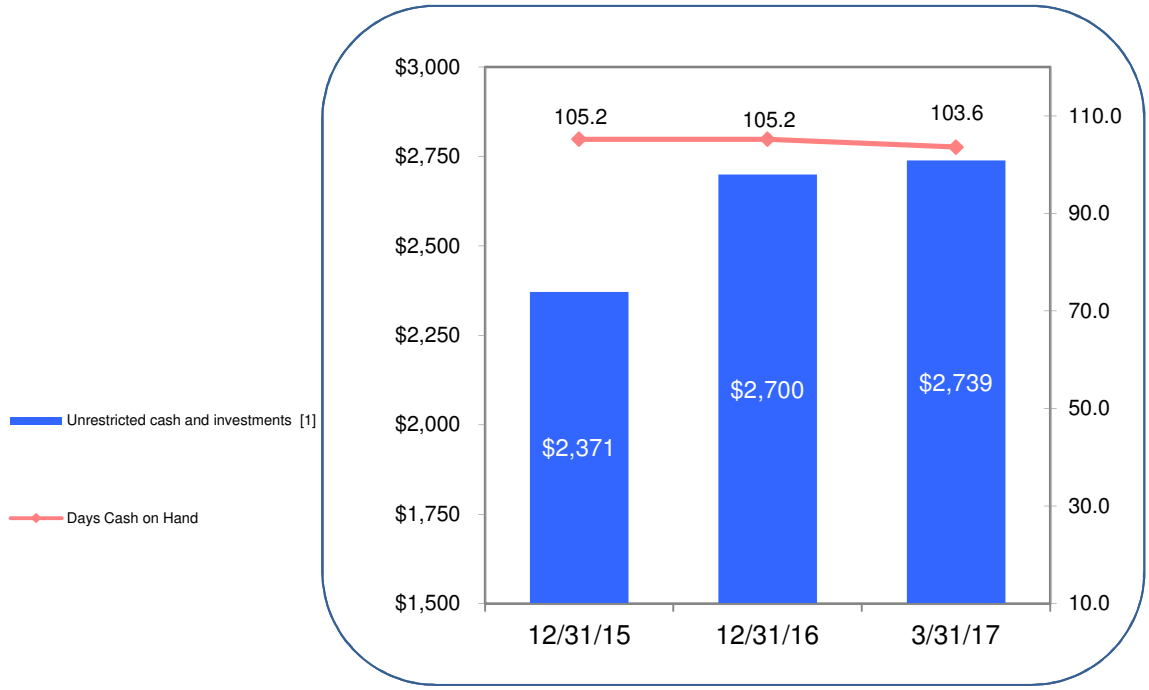
Days cash on hand, long-term debt to cash flow and long-term debt service coverage ratios for March 31, 2017 are calculated using twelve months of operating results, covering the period April 1, 2016 through March 31, 2017.

Liquidity and Capital Resources

Unrestricted cash and investments increased to $2.74 billion as of March 31, 2017, from $2.70 billion as of December 31, 2016, resulting in 103.6 days cash on hand as of March 31, 2017, a decline of 1.6 days from December 31, 2016. Management attributes this decline in days cash on hand to the timing of cash receipts and expenditures, including those related to strategic investments and capital. Total unrestricted cash and investments are comprised of cash and cash equivalents, marketable securities and other investments. Refer to Note F to the Unaudited Interim Consolidated Financial Statements and Note 3 to the Audited Consolidated Financial Statements for more information.

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, 2015 and 2016 and March 31, 2017:

Total Unrestricted Cash and Investments and Days Cash on Hand



[1] Refer to Note 3 to the Audited Consolidated Financial Statements and Note F to the Unaudited Consolidated Financial Statements for more information.

As a result of the increase in total unrestricted cash and investments, Northwell's cash to debt measurement increased to 90.7% at March 31, 2017 compared to 89.2% at December 31, 2016.

Patient Accounts Receivable

Days of total patient revenue in patient accounts receivable were 45 days as of March 31, 2017 and December 31, 2016.

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 $191.6 million and $136.2 million for the three months ended March 31, 2017 and 2016, respectively.

Net assets released from restrictions for capital asset acquisitions totaled $28.3 million and $23.2 million for the three months ended March 31, 2017 and 2016, respectively.

Capital expenditures as a percentage of depreciation and amortization were 172% and 134% for the three months ended March 31, 2017 and 2016, respectively.

Accounts Payable

Days of supplies and expenses in accounts payable were 91 days and 92 days as of March 31, 2017 and December 31, 2016, 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, 2016 and twelve months ended March 31, 2017:

($'s In Millions)	**12/31/16**	**3/31/17**
Total outstanding debt[1]	$3,026.6	$3,020.2
Debt to capitalization[2]	46.9%	46.2%
Long-term debt / cash flow[3]	4.8x	5.1x
Long-term debt service coverage	3.4x	3.2x

[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.

Northwell's total debt profile as of March 31, 2017 was comprised of 8.0% variable rate debt and 92.0% 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 5.2% and 94.8%, respectively, of the total outstanding debt. Total outstanding debt decreased by $6.4 million from December 31, 2016 to March 31, 2017, primarily due to scheduled principal payments.

Debt to capitalization improved to 46.2% at March 31, 2017, compared to 46.9% at December 31, 2016. Long-term debt to cash flow increased to 5.1x at March 31, 2017, compared to 4.8x at December 31, 2016. Cash flow decreased by $46.2 million for the twelve months ended March 31, 2017, compared to the year ended December 31, 2016.

The long-term debt service coverage ratio decreased to 3.2x for the twelve months ended March 31, 2017, compared to 3.4x for the year ended December 31, 2016. For both the March 31, 2017 and December 31, 2016 calculations, maximum annual debt service was $212.1 million and occurs in 2017. Income available for debt service[c] for the twelve months ended March 31, 2017 and the year ended December 31, 2016 was $671.9 million and $714.4 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 March 31, 2017 and December 31, 2016 and the total credit currently available under such arrangements is $288 million.

[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 March 31, 2017 and December 31, 2016, the aggregate fair value of the interest rate swap agreements was a liability of $7.2 million and $7.9 million, respectively.

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 13 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, 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 ACA risk adjustment program liability, all contributed to the operating results for Northwell for the three months ended March 31, 2017.

Northwell continues to focus on improving operating performance despite the challenges and factors pressuring operating margins, including the impact of CareConnect and Health Plan on the overall operating results. Management continues to believe that operating provider owned insurance companies is an effective strategy to manage population health. However, it is one of multiple strategies and tactics currently in place to achieve similar goals. Although partial regulatory relief from DFS to the flawed risk adjustment program has started in 2017, management would reconsider continued participation in specific insurance products, if their long term financial sustainability 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.