

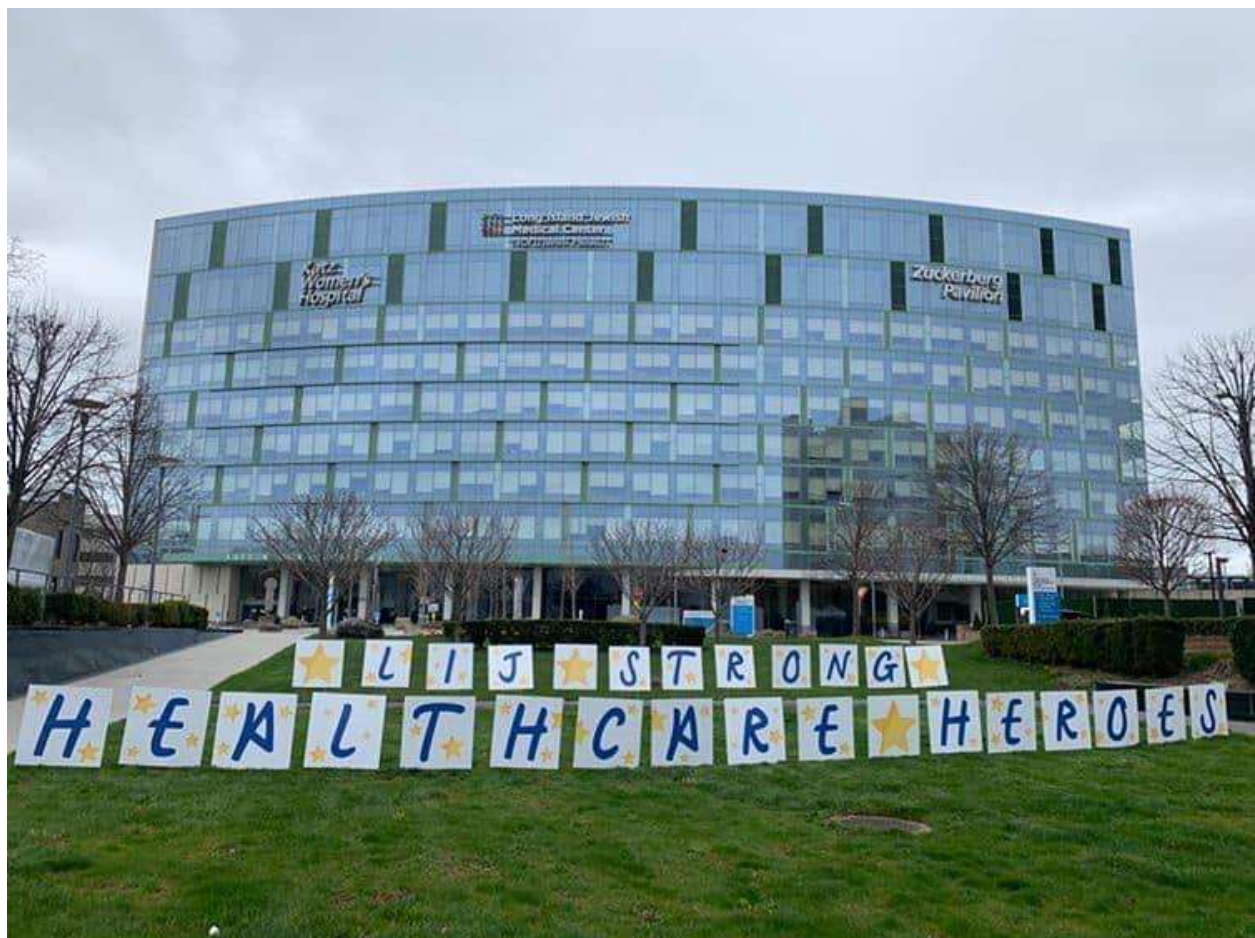


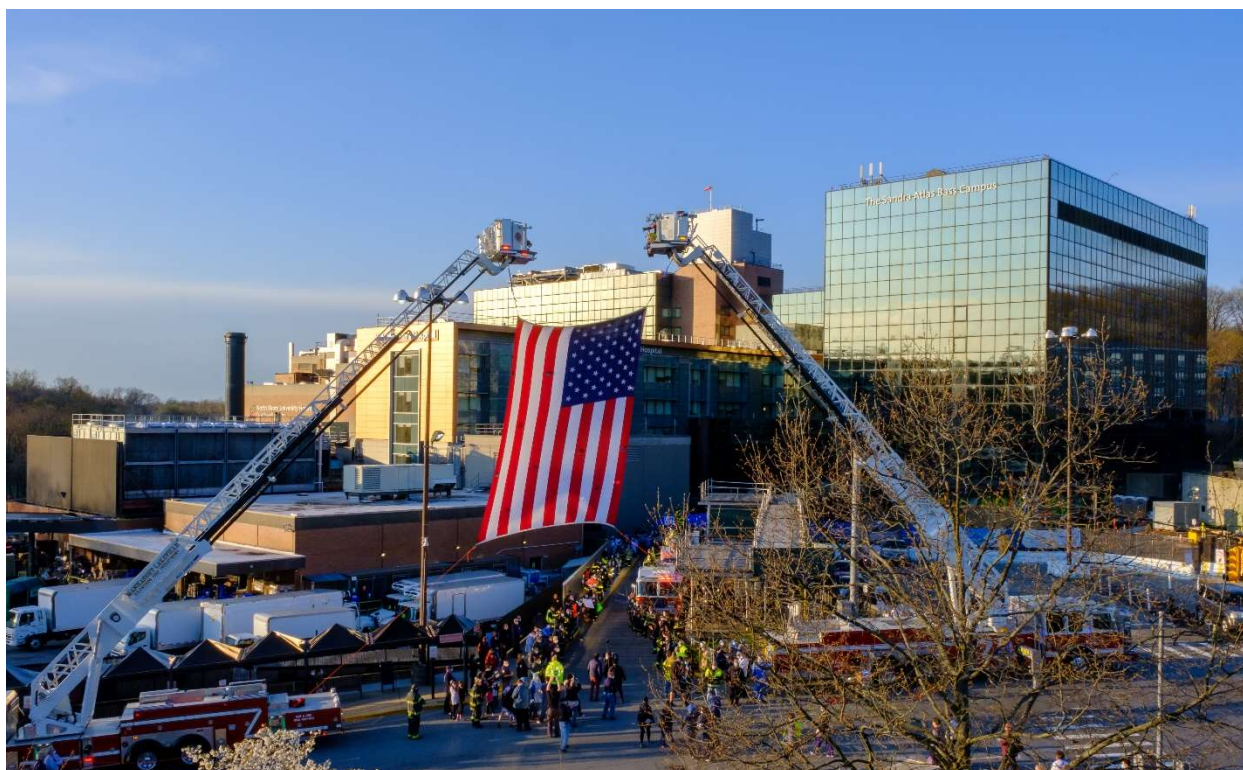
**Northwell Health, Inc.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**OF RECENT FINANCIAL PERFORMANCE**

**FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019**





## Financial Highlights

<b>Financial Results</b> <i>(\$'s In Millions)</i>	<b>Three Months Ended March 31, 2019</b>	<b>Three Months Ended March 31, 2020</b>
Operating revenue	\$2,950	\$3,081
Operating loss	(\$20)	(\$141)
Operating margin	(0.7%)	(4.6%)
Operating cash flow margin	4.8%	1.1%

<b>Selected Other Information</b> <i>(\$'s In Millions)</i>	<b>December 31, 2019<sup>[2]</sup></b>	<b>March 31, 2020</b>
Unrestricted cash and investments	\$3,322	\$3,123
Days cash on hand	103	95
Total outstanding debt	\$4,103	\$4,276
Unrestricted cash to debt <sup>[1]</sup>	87.2%	79.8%
Debt to capitalization	47.6%	53.1%
Long-term debt service coverage (12-months ended)	3.3x	2.9x

[1] Unrestricted cash for this ratio includes management designated sinking funds. Refer to *Liquidity and Capital Resources* section herein for further information.

[2] Derived from the Audited Consolidated Financial Statements.

## 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 19 owned hospitals, three long-term care facilities, four certified home health care agencies, a hospice network, over 750 ambulatory and physician practice locations, The Feinstein Institutes for Medical Research, 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 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. The members of the Northwell Health Obligated Group (the "Obligated Group") represented 83.6% of the total consolidated operating revenue and 83.1% of the total consolidated assets of Northwell for the year ended and as of December 31, 2019. 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, 2019 and 2018 (the "Audited Consolidated Financial Statements") for the consolidating and combining schedules of Northwell and the Obligated Group.

### COVID-19 Impact

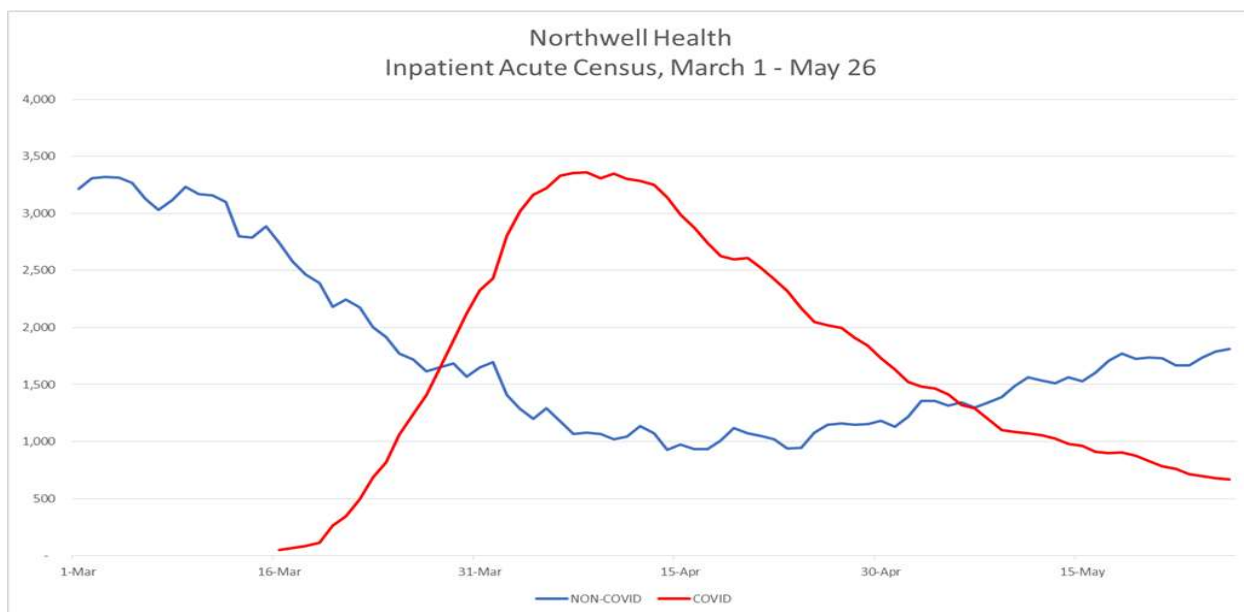
The current global outbreak of Coronavirus Disease 2019 ("COVID-19") is having numerous and varied medical, economic, and social impacts, many of which have had adverse effects on Northwell's operations and financial condition, beginning in March 2020. These impacts include significant volatility in the investment markets, widespread temporary, but indefinite, business and school closures and event cancellations, high unemployment, and other economic and societal effects resulting from the national response to the COVID-19 crisis. The Centers for Disease Control and Prevention confirmed the spread of the disease to the United States ("US") in February. In March, the World Health Organization declared the COVID-19 outbreak a global pandemic. In New York State ("NYS"), and especially in the New York metropolitan area, the highest prevalence of COVID-19 in the world began to be observed in March. In response, the NYS government issued a series of executive orders that directly and indirectly affected Northwell's operations, by prohibiting elective surgeries and non-emergent surgical and interventional procedures, and by mandating stay-at-home restrictions for all residents throughout Northwell's service area, which have resulted in the disruption of physician office visits and other medical services.





Northwell began organizing and preparing for the onset of COVID-19 in early February, operationalizing its long established Emergency Operations Center (“EOC”) led by its Chief Operating Officer, with full engagement of the organization’s senior clinical, administrative and operational leadership. The EOC conducted daily briefings with Northwell’s CEO, which facilitated coordinated clinical and operational decisions and communications both within Northwell and with the communities and governmental agencies engaged in the crisis. In mid-April, management established an incident command structure similar to the EOC that is focused on the recovery efforts of the organization, the evolution of its organizational model for future success, and planning for a possible resurgence, while continuing to meet the needs of the remaining COVID-19 patients being treated and the employees involved in their treatment.

As the largest health system in NYS with hospitals, ambulatory centers, physician offices and long term care facilities located throughout the NYS counties with the highest reported incidence and prevalence of COVID-19 in the US, Northwell has played an integral role in partnering with the NYS Department of Health, the NYS Governor’s office, county and municipal authorities, community organizations, and other health systems in the greater New York area in planning and responding to the crisis, and now in recovering from it while also planning for a possible resurgence. Northwell was one of the first private clinical laboratories approved by NYS and the federal government to conduct COVID-19 diagnostic testing. It operated and managed mobile testing centers and temporary hospital facilities constructed by the US Army Corp of Engineers at the Javits Center in Manhattan and SUNY Old Westbury on Long Island, is conducting at least six clinical trials in search of COVID-19 treatments, and is working with NYS Governor Andrew Cuomo on the reopening of NYS and plans to reimagine its economy, health care, mass transit and education systems in light of the lessons learned during the pandemic. Northwell’s team members have put forth a dedicated effort to help its communities, patients and family members battle through the devastating effects of this pandemic. No other health system in NYS has treated as many COVID-19 patients as Northwell and Northwell was among the health systems that treated the most COVID-19 patients in the US.



To prepare for the surge of COVID-19 patients, effective March 16, 2020, all non-emergent and elective surgeries and interventional procedures were discontinued at Northwell's hospitals (ahead of NYS executive orders), and at its ambulatory centers shortly thereafter. A number of ambulatory centers and physician offices were closed or started operating on a reduced schedule in March as a result of the pandemic. To the extent practicable, clinical employees at these sites were redeployed to hospital inpatient units or emergency departments to assist in treating the surge of COVID-19 patients. In addition, clinical staff was brought in from outside staffing agencies and leased from health systems in other parts of the country that were not as severely impacted as NYS. Outpatient visits for private referred ambulatory services including imaging and rehabilitation, as well as physician office visits have declined significantly since the start of the crisis. Outpatient chemotherapy and radiation oncology services for cancer have also been negatively affected by the coronavirus pandemic, although somewhat less dramatically due to the importance of maintaining these services.

The negative financial impact of the coronavirus pandemic on Northwell's operating results for the three months ended March 31, 2020 (excluding investment losses and excluding any federal relief funding), is estimated to be \$170 million, primarily attributable to the reductions in volume resulting from the changes in operations in response to this crisis during the latter part of March. Based on unaudited April 2020 financial statements, management estimates the negative financial impact on operating results for the month of April to be \$330 million (also excluding investment activity and federal relief funding). There have been various press reports concerning the estimated level of losses experienced by Northwell relating to COVID-19. However, subsequent to those press reports, Northwell has received funding from the federal Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and has also begun the process of reopening certain services to the extent practicable and permitted by regulatory agencies. Accordingly, a negative financial impact beyond April is expected but the amount will ultimately be dependent on the duration of the pandemic, the pace of the reopening of economic activity and recovery in providing non-COVID-19 related services to patients, the impact of a possible COVID-19 resurgence, and the ultimate amount of federal relief received. As shown on the graph above, the slow decrease in COVID-19 patients started in mid-April, while the increase in non-COVID-19 patients started in late April. Beginning in late May, NYS allowed for the resumption of elective surgical and interventional procedures in Nassau, Suffolk and Westchester counties. However, as of May 29, 2020, the date this report was filed, such procedures were still not allowed in New York City.

The negative financial impact amounts noted in the paragraph above exclude any relief funding received or anticipated from the CARES Act or other sources. Subsequent to March 31, 2020 and through May 29, 2020, Northwell has received approximately \$1.0 billion in grants from the \$100 billion identified as the Provider Relief Fund (Phase 3) of the CARES Act. The consolidated statement of operations for the three months ended March 31, 2020 does not reflect any of this grant revenue.

To prepare for the potential effect of the pandemic on liquidity, Northwell had drawn \$275 million of its available lines of credit during March 2020. However, as a result of Medicare advances that were made available in April 2020 under the CARES Act to provide liquidity to healthcare providers (separate and apart from the CARES Act grants described in the paragraph above), Northwell fully repaid the amounts borrowed under the lines of credit in April 2020. See *Debt* herein for additional information. In April 2020, Northwell received approximately \$1.0 billion in Medicare advances, which are anticipated to be repaid over eight months starting in August 2020, without interest.

Management continues to closely monitor the operational and financial impact of COVID-19 in many respects and is pursuing opportunities for additional federal and any other funding that is or will become available. While planning for and managing through the COVID-19 pandemic, in partnership with NYS, operations across the continuum have been disrupted, however, Northwell is currently preparing for the recovery of operations post the COVID-19 crisis. While the financial impact estimates noted above have been made using the best available information at the time, the ultimate net impact of the pandemic to Northwell and its financial condition is uncertain. The consolidated financial statements as of and for the three months ended March 31, 2020 do not reflect the effects of those events subsequent to March 31st noted above.

For additional information regarding Northwell's planning and response to the COVID-19 crisis, please refer to the document available on the Northwell website via the attached link.

<https://online.flowpaper.com/753806f1/NewStandard2020COVIDIssue0515206B/#page=1>





## Introduction

As reported in the Northwell Consolidated Financial Statements for the Three Months Ended March 31, 2020 and 2019 (the “Unaudited Interim Consolidated Financial Statements”), for the three months ended March 31, 2020, Northwell’s operating loss<sup>[a]</sup> and operating margin were (\$141.0) million and (4.6%), respectively, compared to (\$19.7) million and (0.7%) for the three months ended March 31, 2019. Operating cash flow margin was 1.1% for the three months ended March 31, 2020, compared to 4.8% for the three months ended March 31, 2019. Operating revenue grew by \$131.6 million or 4.5% for the three months ended March 31, 2020 compared to the three months ended March 31, 2019, while operating expenses increased \$252.9 million or 8.5%.

Operating revenue growth was primarily attributable to increases in inpatient case mix and payment rates, as well as continued revenue cycle initiatives. Growth was limited, however, by reduced volume in March resulting from the COVID-19 pandemic, as described previously.



The increase in operating expenses was partially attributable to incremental costs associated with Northwell’s response to COVID-19, 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) safety, quality and patient experience initiatives; (3) ambulatory and physician network expansion; and (4) information technology (“IT”), including investments in electronic health records, digital health technology and telehealth services. 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 standardization, distribution, utilization and contracting), helped control the growth rate of expenses.

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<sup>[a]</sup> Excess of operating expenses over operating revenue in the consolidated statements of operations is referred to as “operating loss” for purposes of Management’s Discussion and Analysis of Recent Financial Performance.

Northwell's net loss<sup>[b]</sup> and net margin for the three months ended March 31, 2020 were (\$709.7) million and (28.2%), respectively, compared to net income of \$201.1 million and a net margin of 6.3% for the three months ended March 31, 2019. 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 (\$559.7) million and \$240.2 million for the three months ended March 31, 2020 and 2019, respectively, affected the amounts reported for each of these periods.

In 2020, in addition to managing operations to meet the developing challenges posed by the COVID-19 crisis including the recovery, management continues to focus on i) patient experience, safety and quality improvements, ii) market share growth, iii) population health management, iv) medical research and education, and v) diversifying revenue streams within the Northwell business model, including entering into joint venture arrangements with various partners. Maintaining the balance sheet and improving 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 patients and families in all the communities it serves.



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<sup>[b]</sup> (Deficiency) excess of revenue and gains and losses over expenses in the consolidated statements of operations is referred to as "net (loss) income" for purposes of Management's Discussion and Analysis of Recent Financial Performance.



## Operations and Net Income Overview

### Operating Income (Loss), Operating Cash Flow and Net Income (Loss)

The following table presents a summary of key operating performance results and measures for Northwell for the three months ended March 31, 2019 and 2020.

<i>(\$'s In Millions)</i>	Three Months Ended March 31, 2019	Three Months Ended March 31, 2020
Operating loss	(\$20)	(\$141)
Operating margin	(0.7%)	(4.6%)
Operating cash flow <sup>[1]</sup>	\$143	\$34
Operating cash flow margin	4.8%	1.1%
Net income (loss)	\$201	(\$710)
Net margin	6.3%	(28.2%)

[1] Total operating income before interest and depreciation and amortization.

### Operating Revenue and Volume

For the three months ended March 31, 2020, operating revenue increased by \$131.6 million or 4.5%, compared to the three months ended March 31, 2019.

The following table presents consolidated Northwell operating revenue and certain volume statistics for the three months ended March 31, 2019 and 2020.

<i>(\$'s In Millions)</i>	Three Months Ended March 31, 2019	Three Months Ended March 31, 2020
<b>Operating Revenue:</b>		
Net patient service revenue	\$2,256	\$2,311
Physician practice revenue	\$483	\$515
Total patient revenue	\$2,739	\$2,826
Other operating revenue	\$195	\$238
Net assets released from restrictions used for operations	\$15	\$17
Total operating revenue	\$2,950	\$3,081
<b>Volume: <sup>[1]</sup></b>		
Discharges (excluding nursery)	75,124	71,977
Ambulatory surgery visits	53,620	46,653
Emergency room visits (treated and released)	164,498	163,633
Health center visits (includes GoHealth urgent care centers)	379,274	384,038
Home care admissions	14,085	12,382
Other outpatient visits	522,686	462,829

[1] Volume statistics for both periods exclude physician practice visits, but include statistics from Northwell entities, including clinical joint ventures, that are not members of the Obligated Group.

Northwell's core business revenue consists of net patient service revenue and physician practice revenue (collectively referred to as "total patient revenue"). For the three months ended March 31, 2020, Northwell's total patient revenue increased by \$86.7 million or 3.2%, compared to the three months ended March 31, 2019. The increase, which was limited by access disruption in March resulting from the COVID-19 pandemic, occurred primarily as a result of growth in inpatient case mix, increases in payment rates, continued revenue cycle initiatives, and the continued growth in the physician and ambulatory network resulting from ongoing physician recruitment efforts and practice acquisitions in a range of specialties including primary care and oncology.

Uncompensated care represents services rendered to patients without insurance or with balances after insurance who meet the eligibility requirements of Northwell's financial assistance policy or who otherwise are unable to pay for the care rendered. For the three months ended March 31, 2020, the estimated cost of uncompensated care was approximately 3% of total patient revenue, which is consistent with the prior year. Financial assistance is one aspect of the multitude of community benefit programs provided by Northwell. Refer to page 58 of Northwell's 2018 annual report available via the attached link, for additional information on community benefit programs provided by Northwell. The 2019 annual report is expected to be available on the Northwell website in June.

<https://www.northwell.edu/sites/northwell.edu/files/2019-08/Northwell-Health-2018-Annual-Report.pdf>



The major components of other operating revenue include laboratory services, grants and contracts, and specialty and retail pharmacy sales. Other operating revenue increased by \$43.2 million or 22.1% for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. The increase in other operating revenue was primarily the result of increased revenue from laboratory services, and specialty and retail pharmacy sales, as well as increased group purchasing organization rebates.



### *Operating Expenses*

Operating expenses for the three months ended March 31, 2020 increased by \$252.9 million or 8.5% from the three months ended March 31, 2019.

Summarized below are the consolidated Northwell operating expenses for the three months ended March 31, 2019 and 2020.

<i>(\$'s In Millions)</i>	Three Months Ended March 31, 2019 <sup>[1]</sup>	Three Months Ended March 31, 2020
<b>Operating Expenses:</b>		
Salaries and employee benefits	\$1,906	\$2,074
Supplies and expenses	\$901	\$974
Depreciation and amortization	\$127	\$135
Interest expense	\$36	\$40
<b>Total operating expenses</b>	<b>\$2,969</b>	<b>\$3,222</b>

[1] Amounts for 2019 were restated from those previously reported to conform to the 2020 presentation.



For the three months ended March 31, 2020, salaries and employee benefits increased by \$167.4 million or 8.8%, compared to the three months ended March 31, 2019. In addition to staffing needs relating to Northwell's response to the COVID-19 pandemic, the increase was due to staffing investments related to various strategic initiatives including adding physicians and staff to support program expansion within the hospitals and the ambulatory network and to support population health initiatives. Wage increases and staffing investments in IT and various safety, quality and patient experience initiatives throughout Northwell also contributed to the growth in salaries and employee benefits. Productivity and efficiency efforts, including savings from the consolidation of certain services and functions, helped to control the increase in salaries and employee benefits.

Supplies and expenses for the three months ended March 31, 2020 increased by \$72.6 million or 8.1%, compared to the three months ended March 31, 2019. The increase was partially due to personal protective equipment, lab supplies, pharmaceutical and other costs associated with Northwell's COVID-19 response. Investments in safety, quality and patient experience initiatives, IT, and new physician practices also contributed to the increase. Supply chain improvement efforts (which include standardization, distribution, utilization and contracting initiatives) 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, 2020 increased by \$8.6 million or 6.8%, compared to the three months ended March 31, 2019. The increase was primarily due to continued investments in IT, facilities and programs.

The increase in interest expense of \$4.3 million or 11.9% from the three months ended March 31, 2019 to the three months ended March 31, 2020 was primarily due to the 2019 bond transactions, partially offset by the effect of scheduled principal payments on existing debt. Refer to Note 8 to the Audited Consolidated Financial Statements for further information related to 2019 bond transactions.

### **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, 2019 and 2020.

<i>(\$'s In Millions)</i>	<b>Three Months Ended March 31, 2019</b>	<b>Three Months Ended March 31, 2020</b>
<b>Non-Operating Gains and Losses:</b>		
Investment income	\$45	\$24
Change in net unrealized gains and losses and change in value of equity method investments	\$195	(\$584)
Change in fair value of interest rate swap agreements designated as derivative instruments	(\$0.2)	(\$0.6)
Non-operating net periodic benefit cost	(\$4)	(\$4)
Other non-operating gains and losses	(\$15)	(\$4)
Total non-operating gains and losses	\$221	(\$569)

Due to the volatility in the investment markets during the three months ended March 31, 2020 and 2019, Northwell's net unrealized 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.

### *Other Changes in Net Assets Without Donor Restrictions*

For a complete list of other changes in net assets without donor restrictions for the three months ended March 31, 2020 and 2019, refer to the Unaudited Interim Consolidated Financial Statements.



### *Fundraising*

For the three months ended March 31, 2020 and 2019, Northwell received \$16.2 million and \$14.1 million, respectively, in new net pledges and cash donations. Of the \$16.2 million received during 2020, \$1.5 million was in pledges and \$14.7 million was in cash. Of the \$14.1 million received during 2019, \$8.4 million was in pledges and \$5.7 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*

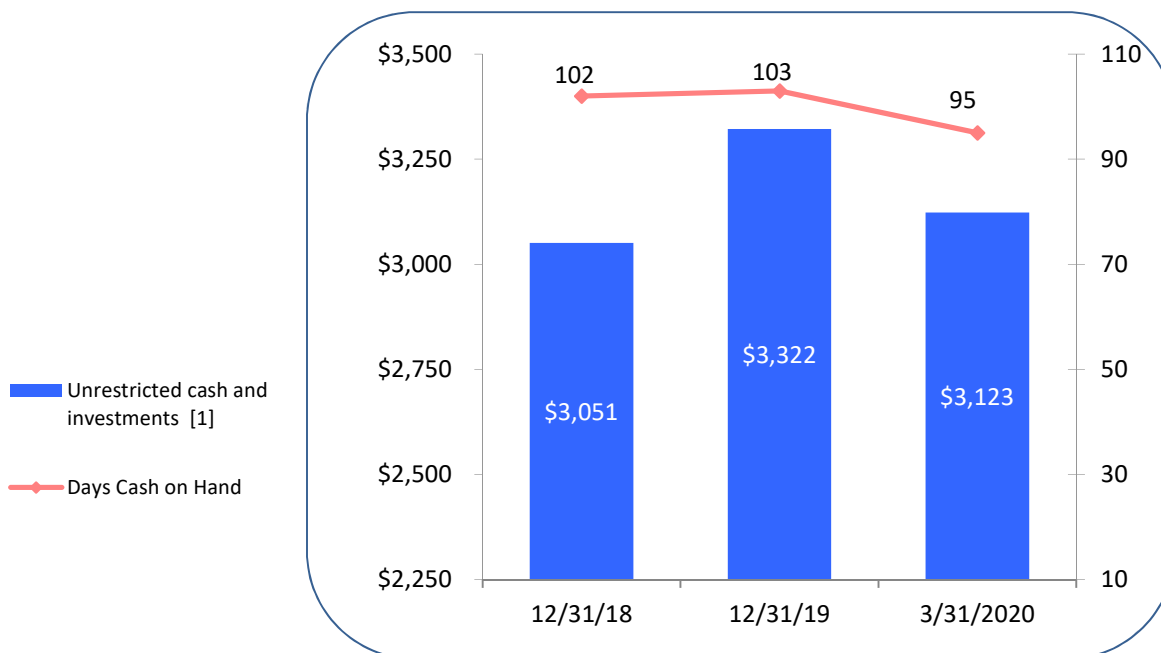
Days cash on hand, long-term debt to cash flow and long-term debt service coverage ratios for March 31, 2020 are calculated using twelve months of operating results, covering the period April 1, 2019 through March 31, 2020.

### *Liquidity and Capital Resources*

Unrestricted cash and investments decreased to \$3.12 billion as of March 31, 2020 compared to \$3.32 billion as of December 31, 2019, resulting in 95 days cash on hand as of March 31, 2020, a decrease of 8 days from December 31, 2019, primarily attributable to losses in the investment markets. Total unrestricted cash and investments are comprised of cash and cash equivalents, marketable securities and other investments. Refer to Note E to the Unaudited Interim Consolidated Financial Statements for more information.

The following chart presents the total unrestricted cash and investments, in millions, used in the days cash on hand calculation and the days cash on hand at December 31, 2018 and 2019 and March 31, 2020.

### Total Unrestricted Cash and Investments and Days Cash on Hand



[1] Refer to Note E to the Unaudited Interim Consolidated Financial statements and Note 4 to the Audited Consolidated Financial Statements for more information.

In order to provide for future repayment of taxable debt with bullet maturities, management has established sinking funds amounting to \$287.6 million, \$257.6 million and \$171.0 million at March 31, 2020 and December 31, 2019 and 2018, respectively. These sinking fund amounts are excluded from total unrestricted cash and investments and the days cash on hand calculation reflected in the above chart. Also excluded are funds designated by management to pay malpractice and other self-insurance liabilities, as well as unspent taxable bond proceeds and other funds designated by management to fund future capital expenditures and investments.

Northwell's cash to debt ratio decreased to 79.8% at March 31, 2020 from 87.2% at December 31, 2019, primarily due to the decrease in unrestricted cash and investments caused by losses in the investment markets. The cash to debt ratio has been calculated for both periods including the management designated sinking funds with the unrestricted cash and investments, but excluding the other management designated funds noted in the paragraph above.

#### *Patient Accounts Receivable*

Days of total patient revenue in patient accounts receivable were 46.8 days as of March 31, 2020 compared to 48.5 days at December 31, 2019.



### *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 (including assets acquired under finance lease obligations) totaled \$198.5 million and \$177.7 million for the three months ended March 31, 2020 and 2019, respectively.

Net assets released from restrictions for capital asset acquisitions totaled \$4.5 million and \$5.4 million for the three months ended March 31, 2020 and 2019, respectively.

Capital expenditures as a percentage of depreciation and amortization were 147% and 140% for the three months ended March 31, 2020 and 2019, respectively.

### *Accounts Payable*

Days of supplies and expenses in accounts payable were 92 days and 93 days as of March 31, 2020 and December 31, 2019, 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, 2019 and twelve months ended March 31, 2020.

<i>(\$'s In Millions)</i>	<b>12/31/19</b>	<b>3/31/20</b>
Total outstanding debt <sup>[1]</sup>	\$4,103	\$4,276
Debt to capitalization <sup>[2]</sup>	47.6%	53.1%
Long-term debt / cash flow <sup>[3]</sup>	5.0x	6.0x
Long-term debt service coverage	3.3x	2.9x

[1] Total outstanding debt includes long-term debt, finance lease obligations and short-term borrowings.

[2] Capitalization is defined as the sum of total outstanding debt and total net assets, excluding those related to permanent endowments.

[3] Long-term debt includes long-term debt and finance 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, 2020 was comprised of 8.6% variable rate debt and 91.4% fixed rate debt. However, as most of the long-term variable rate debt is hedged under interest rate swap agreements, the effective variable and fixed rate debt is 7.3% and 92.7%, respectively, of the total outstanding debt. Total outstanding debt increased by \$172.5 million from December 31, 2019 to March 31, 2020, primarily due to increases in short-term borrowings, partially offset by principal payments on other debt.

Debt to capitalization increased to 53.1% at March 31, 2020, compared to 47.6% at December 31, 2019. Long-term debt to cash flow increased to 6.0x at March 31, 2020, compared to 5.0x at December 31, 2019, primarily as a result of the financial impact of the COVID-19 crisis.

The long-term debt service coverage ratio decreased to 2.9x for the twelve months ended March 31, 2020 compared to 3.3x for the year ended December 31, 2019. For both the March 31, 2020 and December 31, 2019 calculations, maximum annual debt service was \$281.8 million and occurs in 2022. Income available for debt service<sup>[c]</sup> for the twelve months ended March 31, 2020 and the year ended December 31, 2019 was \$816.3 million and \$935.0 million, respectively.

Northwell typically 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 \$275.0 million and \$95.0 million as of March 31, 2020 and December 31, 2019, respectively, and the total credit currently available under such arrangements is \$304.3 million, including amounts outstanding. The \$12.3 million increase in credit availability since December 31, 2019 is primarily due to a new line of credit at John T. Mather Memorial Hospital. As noted earlier, the increase in outstanding borrowings at March 31, 2020 was a result of draws made in March to address the potential effect of the COVID-19 pandemic on Northwell's liquidity. All outstanding balances were paid down in April, upon Northwell's receipt of the Medicare advance payments.

[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, the change in fair value of interest rate swap agreements designated as derivative instruments and the 2019 loss on refunding of long-term debt.

### *Interest Rate Swap Agreements*

Certain affiliates 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, 2020 and December 31, 2019, the aggregate fair value of the interest rate swap agreements was a liability of \$8.1 million and \$6.1 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 14 to the Audited Consolidated Financial Statements.

### *Summary*

The Northwell operating results for the three months ended March 31, 2020 were significantly impacted by the COVID-19 pandemic. Despite the continuing challenges and factors pressuring operating margins still being caused by the crisis, management is focused on the recovery and evolution of operations and improved operating results. This effort is being managed through an incident command structure that is comprised of collaborative workgroups led by Northwell's executive management team, and includes plans to attempt to restore operating results to pre-COVID-19 levels through various initiatives, including those focused on access and additional revenue opportunities through new and enhanced facilities, building a more diversified business model (including expanding joint venture partnerships), physician recruitment efforts, and continued revenue cycle initiatives. In addition, there is continued focus on expense reductions through operational efficiency efforts, program consolidation and supply chain initiatives.

Northwell continues to invest in strategic capital projects and technology to maintain what management believes is a competitive advantage regarding patient and 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 physician and ambulatory network, 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.