UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2004

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number **0-26762**

PEDIATRIX MEDICAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Florida	**65-0271219**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1301 Concord Terrace
Sunrise, Florida 33323
(Address of principal executive offices)
(Zip Code)

(954) 384-0175
(Registrant’s telephone number, including area code)

Not Applicable
(Former name, former address and fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No o

Indicate the number of shares outstanding of each of the issuer’s classes of common stock as of the latest practicable date:

Shares of Common Stock outstanding as of November 1, 2004: 22,352,094

PEDIATRIX MEDICAL GROUP, INC.

INDEX

Table of Contents

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

PEDIATRIX MEDICAL GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2004 (Unaudited)	December 31, 2003
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 30,907	$ 27,896
Accounts receivable, net	108,400	94,213
Prepaid expenses	4,161	3,152
Deferred income taxes	14,294	19,354
Other assets	1,940	942
Total current assets	159,702	145,557
Property and equipment, net	26,618	27,194
Goodwill	566,679	527,422
Other assets, net	19,759	17,421
Total assets	$ 772,758	$ 717,594
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 111,576	$ 111,974
Current portion of long-term debt and capital lease obligations	614	686
Income taxes payable	3,226	8,385
Total current liabilities	115,416	121,045
Long-term debt and capital lease obligations	755	1,178
Deferred income taxes	19,536	17,429
Deferred compensation	6,965	5,564
Total liabilities	142,672	145,216
Commitments and contingencies		
Shareholders' equity:		
Preferred stock; par value $.01 per share; 1,000 shares authorized; none issued	—	—
Common stock; par value $.01 per share; 50,000 shares authorized; 29,519 and 28,425 shares issued, respectively	295	284
Additional paid-in capital	474,842	432,361
Treasury stock, at cost, 5,516 shares and 4,665 shares, respectively	(207,278)	(150,000)
Retained earnings	362,227	289,733
Total shareholders' equity	630,086	572,378
Total liabilities and shareholders' equity	$ 772,758	$ 717,594

The accompanying notes are an integral part of these condensed consolidated financial statements.

PEDIATRIX MEDICAL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	**2003**	**2004**	**2003**
	(in thousands, except for per share data)			
Net patient service revenue	$158,333	$145,514	$458,636	$405,415
Operating expenses:				
Practice salaries and benefits	88,592	80,196	258,947	230,460
Practice supplies and other operating expenses	5,895	4,778	17,206	13,561
General and administrative expenses	20,002	19,843	59,455	57,150
Depreciation and amortization .	2,298	2,495	6,999	6,048
Total operating expenses	116,787	107,312	342,607	307,219
Income from operations	41,546	38,202	116,029	98,196
Investment income	96	76	354	296
Interest expense	(298)	(417)	(854)	(1,142)
Income before income taxes	41,344	37,861	115,529	97,350
Income tax provision	15,401	14,388	43,035	36,993
Net income	$ 25,943	$ 23,473	$ 72,494	$ 60,357
Per share data:				
Net income per common and common equivalent share:				
Basic	$ 1.08	$ 1.01	$ 3.00	$ 2.54
Diluted	$ 1.04	$ .97	$ 2.88	$ 2.46
Weighted average shares used in computing net income per common and common equivalent share:				
Basic	24,043	23,290	24,199	23,788
Diluted	24,980	24,196	25,176	24,521

The accompanying notes are an integral part of
these condensed consolidated financial statements.

Table of Contents

PEDIATRIX MEDICAL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2004	2003
	(in thousands)	
Cash flows from operating activities:		
Net income	$ 72,494	$ 60,357
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	6,999	6,048
Deferred income taxes	7,167	(6,317)
Gain on sale of assets	(197)	—
Changes in assets and liabilities:		
Accounts receivable	(14,187)	(13,024)
Prepaid expenses and other assets	(1,315)	4,177
Other assets	91	(495)
Accounts payable and accrued expenses	(785)	20,167
Income taxes payable/receivable	10,069	8,888
Net cash provided from operating activities	80,336	79,801
Cash flows from investing activities:		
Acquisition payments, net of cash acquired	(41,687)	(63,309)
Purchase of property and equipment	(5,227)	(13,743)
Proceeds from sale of assets	1,100	—
Net cash used in investing activities	(45,814)	(77,052)
Cash flows from financing activities:		
Payments for syndication of line of credit	(890)	—
Borrowings on line of credit, net	—	14,500
Payments on long-term debt and capital lease obligations	(607)	(459)
Proceeds from issuance of common stock	27,264	20,427
Purchase of treasury stock	(57,278)	(100,002)
Net cash used in financing activities	(31,511)	(65,534)
Net increase (decrease) in cash and cash equivalents	3,011	(62,785)
Cash and cash equivalents at beginning of period	27,896	73,195
Cash and cash equivalents at end of period	$ 30,907	$ 10,410

The accompanying notes are an integral part of
these condensed consolidated financial statements.

PEDIATRIX MEDICAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2004

(Unaudited)

1. Basis of Presentation:

The accompanying unaudited condensed consolidated financial statements of Pediatrix Medical Group, Inc. and the notes thereto presented in this Quarterly Report have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission applicable to interim financial statements, and do not include all disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of interim periods. The financial statements include all the accounts of Pediatrix Medical Group, Inc. and its consolidated subsidiaries (collectively, "PMG") together with the accounts of PMG's affiliated professional associations, corporations and partnerships (the "affiliated professional contractors"). PMG has contractual management arrangements with its affiliated professional contractors which are separate legal entities that provide physician services in certain states and Puerto Rico. The terms "Pediatrix" and the "Company" refer collectively to Pediatrix Medical Group, Inc., its subsidiaries, and the affiliated professional contractors.

The consolidated results of operations for the interim periods presented are not necessarily indicative of the results to be experienced for the entire fiscal year. The accompanying unaudited condensed consolidated financial statements and the notes thereto should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's most recent Annual Report on Form 10-K.

2. Summary of Significant Accounting Policies:

Stock Options

The Company accounts for stock-based compensation to employees using the intrinsic value method as prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, no compensation expense for stock options issued to employees is reflected in the condensed consolidated statements of income because the market value of the Company's stock equals the exercise price on the day options are granted. To the extent the Company realizes an income tax benefit from the exercise of certain stock options, this benefit results in a decrease in current income taxes payable and an increase in additional paid-in capital.

Had compensation expense been determined based on the fair value accounting provisions of Statement of Financial Accounting Standards No. 123 ("FAS 123"), "Accounting for Stock-Based Compensation," the Company's net income and net income per share would have been reduced to the pro forma amounts below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	(in thousands, except per share data)			
Net income, as reported	$25,943	$23,473	$72,494	$60,357
Deduct: Total stock-based employee compensation expense determined under fair value accounting rules, net of related tax effect	(3,280)	(3,361)	(8,620)	(8,039)
Pro forma net income	$22,663	$20,112	$63,874	$52,318
Net income per share:				
As reported:				
Basic	$ 1.08	$ 1.01	$ 3.00	$ 2.54
Diluted	$ 1.04	$ .97	$ 2.88	$ 2.46
Pro forma:				
Basic	$ .91	$ .83	$ 2.54	$ 2.16
Diluted	$ .89	$ .80	$ 2.48	$ 2.14

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

2. Summary of Significant Accounting Policies, Continued:

In calculating the pro-forma results above, the fair value of each option or share to be issued is estimated on the date of grant using the Black-Scholes option-pricing model. The weighted average assumptions used for grants in the three months ended September 30, 2004 are: dividend yield of 0%, expected volatility of 46%, and risk-free interest rates of 3.7% for options with expected lives of three and one-half years (all employees of the Company except officers and physicians). No options with expected lives of three years (officers of the Company) and four years (physicians of the Company) were granted in the three months ended September 30, 2004. The weighted average assumptions used for grants in the three months ended September 30, 2003 are: dividend yield of 0%, expected volatility of 62%, and a risk-free interest rate of 1.9% for options with expected lives of three years (all employees of the Company except physicians). No options with an expected life of five years (officers and physicians of the Company) were granted in the three months ended September 30, 2003. The weighted average assumptions for grants in the nine months ended September 30, 2004 are: dividend yield of 0%, expected volatility of 46%, and risk-free interest rates of 2.9% for options with expected lives of three years (officers of the Company), 2.6% for options with expected lives of four years (physicians of the Company), and 2.4% for options with expected lives of three and one-half years (all other employees of the Company). The weighted average assumptions for grants in the nine months ended September 30, 2003 are: dividend yield of 0%, expected volatility of 62%, and risk-free interest rates of 2.9% for options with expected lives of five years (officers of the Company), 3.0% for options with expected lives of five years (physicians of the Company), and 2.1% for options with expected lives of three years (all other employees of the Company).

3. Business Acquisitions:

The Company completed the acquisition of eight physician group practices during the nine months ended September 30, 2004. Total consideration and related costs for these acquisitions were approximately $41.7 million. In connection with these transactions, the Company recorded goodwill of approximately $39.3 million and other identifiable intangible assets consisting of physician and hospital agreements of approximately $2.4 million. The goodwill of approximately $39.3 million related to these acquisitions represents the only change in the carrying amount of goodwill for the nine month period ended September 30, 2004.

The following unaudited pro-forma information combines the consolidated results of operations of the Company and the Company’s 2003 and 2004 acquisitions, as if the transactions had occurred on January 1, 2003:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	(in thousands, except for per share data)		(in thousands, except for per share data)	
Net patient service revenue	$158,643	$153,372	$466,106	$435,517
Net income	$ 25,987	$ 24,485	$ 73,946	$ 64,112
Net income per share:				
Basic	$ 1.08	$ 1.05	$ 3.06	$ 2.70
Diluted	$ 1.04	$ 1.01	$ 2.94	$ 2.61

The pro-forma results do not necessarily represent results which would have occurred if the acquisitions had taken place at the beginning of the period, nor are they indicative of the results of future combined operations.

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

4. Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses consist of the following:

	September 30, 2004	December 31, 2003
	(in thousands)	
Accounts payable	$ 12,831	$ 10,528
Accrued salaries and bonuses	43,744	55,336
Accrued payroll taxes and benefits	11,648	11,452
Accrued professional liability coverage	31,249	24,040
Other accrued expenses	12,104	10,618
	$111,576	$111,974

5. Line of Credit:

In July 2004, the Company obtained a new revolving line of credit and simultaneously terminated the old line of credit. The new line of credit is a $150 million revolving credit facility which includes (1) a $25 million subfacility for the issuance of letters of credit and (2) a $15 million subfacility for swingline loans. The new line of credit matures in July 2009. At the Company's option the new line of credit (other than swingline loans) bears interest at (1) the base rate (defined as the higher of (i) the Federal Funds Rate plus .5% and (ii) the Bank of America prime rate) and (2) the Eurodollar rate plus an applicable margin rate ranging from .75% to 1.75% based on the Company's consolidated leverage ratio. Swing line loans bear interest at the base rate. The new line of credit is collateralized by substantially all of the Company's assets. The Company is subject to certain covenants and restrictions specified in the new line of credit, including covenants that require the Company to maintain a minimum level of net worth and that restrict the Company from paying dividends and making certain other distributions as specified therein. At September 30, 2004, the Company believes that it was in compliance with such financial covenants and restrictions. The Company had no outstanding principal balances under the line of credit at September 30, 2004. The Company has outstanding letters of credit which reduced the amount available under the new line of credit by $7.0 million at September 30, 2004.

6. Shareholders' Equity:

The Company's changes in shareholders' equity for the nine months ended September 30, 2004 are as follows (in thousands):

	Common Stock					
	Number of Shares	Amount	Additional Paid in Capital	Treasury Stock	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2003	28,425	$284	$432,361	$(150,000)	$289,733	$572,378
Net income	—	—	—	—	72,494	72,494
Common stock issued under employee stock option and stock purchase plans	1,094	11	27,253	—	—	27,264
Treasury stock	—	—	—	(57,278)	—	(57,278)
Tax benefit related to employee stock options and stock purchase plans	—	—	15,228	—	—	15,228
Balance at September 30, 2004	29,519	$295	$474,842	$(207,278)	$362,227	$630,086

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

7. Net Income Per Share:

Basic net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the applicable period. Diluted net income per share is calculated by dividing net income by the weighted average number of common and potential common shares outstanding during the applicable period. Potential common shares consist of the dilutive effect of convertible subordinated notes calculated using the if-converted method and outstanding options calculated using the treasury stock method. The calculation of diluted net income per share excludes the after-tax impact of interest expense related to convertible subordinated notes.

During the three months ended December 31, 2003, all issued and outstanding subordinated convertible notes were converted into approximately 33,000 shares of common stock.

The calculations of basic and diluted net income per share for the three and nine months ended September 30, 2004 and 2003 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	(in thousands, except for per share data)			
Basic:				
Net income applicable to common stock	$25,943	$23,473	$72,494	$60,357
Weighted average number of common shares outstanding	24,043	23,290	24,199	23,788
Basic net income per share	$ 1.08	$ 1.01	$ 3.00	$ 2.54
Diluted:				
Net income	$25,943	$23,473	$72,494	$60,357
Interest expense on convertible subordinated debt, net of tax	—	7	—	20
Net income applicable to common stock	$25,943	$23,480	$72,494	$60,377
Weighted average number of common shares outstanding	24,043	23,290	24,199	23,788
Weighted average number of dilutive common stock equivalents	937	876	977	703
Dilutive effect of convertible subordinated debt	—	30	—	30
Weighted average number of common and common equivalent shares outstanding	24,980	24,196	25,176	24,521
Diluted net income per share	$ 1.04	$ .97	$ 2.88	$ 2.46

For the three months ended September 30, 2004 and 2003, the Company had approximately 50,000 and 75,000 outstanding employee stock options, respectively, that have been excluded from the computation of diluted earnings per share since they are anti-dilutive. For the nine months ended September 30, 2004 and 2003, the Company had approximately 59,500 and 755,000 outstanding employee stock options, respectively, that have been excluded from the computation of diluted earnings per share since they are anti-dilutive.

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

8. Common Stock Repurchase Program:

During 2003, the Company repurchased approximately 3.0 million shares of its common stock for approximately $100 million under repurchase programs approved by its Board of Directors. During July 2004, the Company completed a $50 million common stock repurchase program which was authorized by the Board of Directors in May 2004. In August 2004, the Board of Directors authorized the repurchase of an additional $50 million of the Company's common stock which was subsequently increased by the Board of Directors to $100 million in September 2004.

During the three and nine months ended September 30, 2004, the Company repurchased approximately 503,000 and 851,000 shares at a cost $34.1 million and $57.3 million, respectively, under these repurchase programs. All repurchases were made in the open market, subject to trading restrictions.

9. Contingencies:

In June 2002, the Company received a written request from the Federal Trade Commission ("FTC") to submit information on a voluntary basis in connection with an investigation of issues of competition related to the May 2001 acquisition of Magella Healthcare Corporation and the Company's business practices generally. In February 2003, the Company received additional information requests from the FTC in the form of a Subpoena and Civil Investigative Demand. Pursuant to these requests, the Company produced documents and information relating to the acquisition and its business practices in certain markets. The Company has also provided on a voluntary basis additional information and testimony on issues related to the investigation. At this time, the investigation remains active and ongoing and the Company is cooperating fully with the FTC.

Beginning in April 1999, the Company received requests from various federal and state investigators for information relating to its billing practices for services reimbursed by Medicaid, and the United States Department of Defense's TRICARE program for military dependants and retirees. Since then, a number of the individual state investigations were resolved through agreements to refund certain overpayments and reimburse certain costs to the states. In June 2003, the Company was advised by a United States Attorney's Office that it was conducting a civil investigation with respect to the Company's Medicaid billing practices nationwide. This federal Medicaid investigation, the TRICARE investigation, and related state inquiries are now being coordinated and are active and ongoing. The Company is cooperating fully with federal and state authorities with respect to these investigations and inquiries.

In November 2003, the Company's maternal-fetal practice in Las Vegas, Nevada was served with a search warrant by the State of Nevada. The warrant requested information concerning Medicaid billings for maternal-fetal care provided by the Company in that state. The Company does not know the basis for the warrant or the nature of the issues relating to this investigation. The Company is cooperating fully with appropriate officials in the investigation.

Currently, management cannot predict the timing or outcome of any of these pending investigations and inquiries and whether they will have, individually or in the aggregate, a material adverse effect on its business, financial condition or results of operations and the trading price of its common stock.

The Company also expects that additional audits, inquiries and investigations from government authorities and agencies will continue to occur in the ordinary course of its business. Such audits, inquiries and investigations and their ultimate resolutions, individually or in the aggregate, could have a material adverse effect on its business, financial condition or results of operations and the trading price of its common stock.

In the ordinary course of its business, the Company has become involved as a defendant in pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice related to medical services provided by its affiliated physicians. The Company's contracts with hospitals also generally require it to indemnify them and their affiliates for losses resulting from the negligence of the Company's affiliated physicians. The Company is also subject to other lawsuits which may involve large claims and significant defense costs. The Company believes, based upon its review of pending actions and proceedings, that the outcome of such legal actions and proceedings will not have a material adverse effect on its business, financial condition or results of operations and the trading price of its common stock. The outcome of such actions and proceedings, however, cannot be predicted with certainty and an unfavorable resolution of one or more of them could have a material adverse effect on the Company's business, financial condition or results of operations and the trading price of its common stock.

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

9. Contingencies, continued:

Although the Company currently maintains liability insurance coverage intended to cover medical malpractice and certain other claims, this coverage generally must be renewed annually and may not continue to be available to the Company in future years at acceptable costs and on favorable terms. In addition, its insurance coverage may not be adequate to cover liabilities arising out of claims asserted against it in the future where the outcomes of such claims are unfavorable to the Company. Liabilities in excess of the Company's insurance coverage could have a material adverse effect on its business, financial condition and results of operations.

10. Subsequent Events:

In October 2004, the Company completed its common stock repurchase program, buying an additional 1.7 million shares of its common stock at a cost of approximately $92.7 million.

In October 2004, the Company completed the acquisition of one physician group practice, which has increased the total number of acquisitions completed by the Company during 2004 to nine physician group practices. Total consideration and related costs for these acquisitions were approximately $45.6 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion highlights the principal factors that have affected our financial condition and results of operations, as well as our liquidity and capital resources for the periods described. This discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in this Quarterly Report. In addition, reference is made to our audited consolidated financial statements and notes thereto and related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our most recent Annual Report on Form 10-K. As used in this Quarterly Report, the terms "Pediatrix", the "Company", "we", "us" and "our" refer to Pediatrix Medical Group, Inc. and its consolidated subsidiaries ("PMG"), together with PMG's affiliated professional associations, corporations and partnerships ("affiliated professional contractors"). PMG has contracts with its affiliated professional contractors, which are separate legal entities that provide physician services in certain states and Puerto Rico.

The following discussion contains forward-looking statements. Please see the Company's most recent Annual Report on Form 10-K, including the section entitled "Risk Factors," for a discussion of the uncertainties, risks and assumptions associated with these forward-looking statements. In addition, please see "Caution Concerning Forward-Looking Statements" below.

During the nine months ended September 30, 2004, we completed the acquisition of eight physician group practices. In addition, during 2003, we completed the acquisition of a metabolic screening laboratory and seven physician practice groups. Our results of operations for the three and nine months ended September 30, 2004 include the results of operations for the metabolic screening laboratory and the physician practice groups from their respective dates of acquisition, and therefore are not comparable in some material respects to our results of operations for the three and nine months ended September 30, 2003.

Results of Operations

Three Months Ended September 30, 2004 as Compared to Three Months Ended September 30, 2003

Our net patient service revenue increased $12.8 million, or 8.8%, to $158.3 million for the three months ended September 30, 2004, as compared to $145.5 million for the same period in 2003. Of this $12.8 million increase, $9.7 million, or 75.8%, was primarily attributable to revenue generated from acquisitions completed and the addition of new hospital contracts after June 30, 2003. Same unit net patient service revenue increased $3.1 million, or 2.2%, for the three months ended September 30, 2004. The increase in same unit net patient service revenue was primarily the result of: (i) an increase in neonatal intensive care patient days of 3.9%; (ii) increased revenue from volume growth in maternal-fetal services and other services including hearing screens and newborn nursery services provided by existing practices; (iii) modest price increases implemented on January 1, 2004; and (iv) improved managed care contracting processes. The increase in same unit patient service revenue was partially offset by an increase in patients enrolled in government sponsored programs. Payments received from government programs are substantially less than reimbursement under commercial insurance. Same units are those units at which we provided services for the entire current period and the entire comparable prior year period.

Practice salaries and benefits increased $8.4 million, or 10.5%, to $88.6 million for the three months ended September 30, 2004, as compared to $80.2 million for the same period in 2003. The increase was attributable to costs associated with new physicians and other staff to support acquisition related growth and volume growth at existing units.

Practice supplies and other operating expenses increased $1.1 million, or 23.4%, to $5.9 million for the three months ended September 30, 2004, as compared to $4.8 million for the same period in 2003. The increase was primarily attributable to costs related to acquired and new units at which we provide services and increased supply costs at our metabolic screening laboratory.

General and administrative expenses include expenses related to all other salaries, benefits, supplies and operating expenses not specifically related to the day-to-day operations of our physician group practices. General and administrative expenses increased $200,000, or 0.8%, to $20.0 million for the three months ended September 30, 2004, as compared to $19.8 million for the same period in 2003. This $200,000 increase was primarily due to salaries and benefits and other general and administrative expenses relating to the continued growth of the Company.

Depreciation and amortization expense decreased by $200,000, or 7.9%, to $2.3 million for the three months ended September 30, 2004, as compared to $2.5 million for the same period in 2003. This $200,000 decrease is primarily attributable to certain identifiable intangible assets having become fully amortized.

Income from operations increased $3.3 million, or 8.8%, to $41.5 million for the three months ended September 30, 2004, as compared to $38.2 million for the same period in 2003. Our operating margin decreased 0.1 percentage points to 26.2% for the three months ended September 30, 2004, as compared to 26.3% for the same period in 2003. The decrease in operating margin was due to a shift in the Company's payor mix during the three months ended September 30, 2004. That shift resulted in a lower percentage of patient service reimbursement coming from commercial payors than from government payors, principally the various Medicaid programs in the states where our physicians practice. This payor mix shift has resulted in a decrease in average reimbursement rates. The decrease in operating margin due to the payor mix shift was partially offset by continued operational efficiencies at the physician group practice level and a reduction in general and administrative expenses as a percent of revenue.

We recorded net interest expense of $202,000 for the three months ended September 30, 2004, as compared to net interest expense of $341,000 for the same period in 2003. The decrease in net interest expense is primarily due to lower long term debt outstanding during the three months ended September 30, 2004 as compared to the prior year period. We had no borrowings under our line of credit for the three months ended September 30, 2004. Interest expense for the three months ended September 30, 2004 consisted primarily of commitment fees and amortized debt costs associated with our line of credit.

Our effective income tax rates were 37.3% and 38.0% for the three months ended September 30, 2004 and 2003, respectively. This decline in our effective rate is principally due to changes in our apportionment of income for state income taxes.

Net income increased to $25.9 million for the three months ended September 30, 2004, as compared to $23.5 million for the same period in 2003.

Diluted net income per common and common equivalent share was $1.04 on weighted average shares of 25.0 million for the three months ended September 30, 2004, as compared to $0.97 on weighted average shares of 24.2 million for the same period in 2003. The net increase in weighted average shares outstanding was primarily due to the exercise of employee stock options offset in part by the impact of shares repurchased since July 1, 2003.

Nine Months Ended September 30, 2004 as Compared to Nine Months Ended September 30, 2003

Our net patient service revenue increased $53.2 million, or 13.1%, to $458.6 million for the nine months ended September 30, 2004, as compared to $405.4 million for the same period in 2003. Of this $53.2 million increase, $28.7 million, or 53.9%, was primarily attributable to revenue generated from acquisitions completed during 2003 and 2004 and the addition of new hospital contracts in 2003. Same unit net patient service revenue increased $24.5 million, or 6.3%, for the nine months ended September 30, 2004. The increase in same unit net patient service revenue was primarily the result of: (i) a 3.2% increase in neonatal intensive care unit patient days; (ii) increased revenue from volume growth in maternal-fetal services and other services including hearing screens and newborn nursery services provided by existing practices; (iii) modest price increases implemented on January 1, 2004; (iv) changes in reimbursement for our services due to modifications to billing codes implemented by the American Medical Association in early 2003; and (v) improved managed care contracting processes. The increase in same unit patient service revenue was partially offset by an increase in patients enrolled in government sponsored programs. Payments received from government programs are substantially less than reimbursement under commercial insurance. Same units are those units at which we provided services for the entire current period and the entire comparable period.

Practice salaries and benefits increased $28.4 million, or 12.4%, to $258.9 million for the nine months ended September 30, 2004, as compared to $230.5 million for the same period in 2003. The increase was attributable to: (i) costs associated with new physicians and other staff to support acquisition related growth and volume growth at existing units; and (ii) an increase in incentive compensation as a result of same unit growth and operational improvements at the physician practice level.

Practice supplies and other operating expenses increased $3.6 million, or 26.9%, to $17.2 million for the nine months ended September 30, 2004, as compared with $13.6 million for the same period in 2003. The increase was primarily attributable to supply costs related to our acquisition of a metabolic screening laboratory in May 2003 and other costs related to acquired and new units at which we provide services.

General and administrative expenses include expenses related to all other salaries, benefits, supplies and operating expenses not specifically related to the day-to-day operations of our physician group practices. General and administrative expenses increased $2.3 million, or 4.0%, to $59.5 million for the nine months ended September 30, 2004, as compared to $57.2 million for the same period in 2003. This $2.3 million increase was primarily due to salaries and benefits relating to our continued growth and our metabolic screening laboratory which we acquired in May 2003.

Depreciation and amortization expense increased by $1.0 million, or 15.7%, to $7.0 million for the nine months ended September 30, 2004, as compared to $6.0 million for the same period in 2003. This $1.0 million increase is attributable to amortization of identifiable intangible assets related to our acquisitions and depreciation related to the purchase of property and equipment.

Income from operations increased $17.8 million, or 18.2%, to $116.0 million for the nine months ended September 30, 2004, as compared with $98.2 million for the same period in 2003. Our operating margin increased 1.1 percentage points to 25.3% for the nine months ended September 30, 2004, as compared to 24.2% for the same period in 2003. The increase in operating margin is directly attributable to a reduction in general and administrative expenses as a percent of revenue, partially offset by the shift in the Company's payor mix which occurred during the three months ended September 30, 2004.

We recorded net interest expense of $500,000 for the nine months ended September 30, 2004, as compared with net interest expense of $846,000 for the same period in 2003. The decrease in net interest expense is primarily due to lower long term debt outstanding during the nine months ended September 30, 2004 as compared to the prior year period. We had no borrowings under our line of credit for the nine months ended September 30, 2004. Interest expense for the nine months ended September 30, 2004 consisted primarily of commitment fees and amortized debt costs associated with our line of credit.

Our effective income tax rates were 37.3% and 38.0% for the nine months ended September 30, 2004 and 2003, respectively. This decline in our effective rate is principally due to changes in our apportionment of income for state income tax purposes.

Net income increased to $72.5 million for the nine months ended September 30, 2004, as compared to $60.4 million for the same period in 2003.

Diluted net income per common and common equivalent share was $2.88 on weighted average shares of 25.2 million for the nine months ended September 30, 2004, as compared to $2.46 on the weighted average shares of 24.5 million for the same period in 2003. The net increase in weighted average shares outstanding was primarily due to the issuance of shares under our employee stock purchase plan and for the exercise of employee stock options offset in part by the impact of shares repurchased since January 1, 2003.

Liquidity and Capital Resources

As of September 30, 2004, we had approximately $30.9 million of cash and cash equivalents on hand as compared to $27.9 million at December 31, 2003. Additionally, we had working capital of approximately $44.3 million at September 30, 2004, an increase of $19.8 million from working capital of $24.5 million at December 31, 2003. The increase in working capital at September 30, 2004 is primarily due to increased accounts receivable balances and a reduction in liabilities outstanding primarily due to the payment of physician bonuses, accrued at December 31, 2003, in the first quarter of 2004.

Our net cash provided from operating activities was approximately $80.3 million for the nine months ended September 30, 2004. In addition to the cash provided from operations during the nine months ended September 30, 2004, we generated cash proceeds from the exercise of employee stock options of approximately $27.3 million and approximately $1.1 million from the sale of assets relating to certain office based practices. For the nine months ended September 30, 2004, we used cash proceeds of approximately $41.7 million to complete the acquisition of eight physician group practices and approximately $57.3 million to repurchase common stock (as more fully discussed below).

During 2003, we repurchased approximately 3.0 million shares of our common stock for approximately $100 million under repurchase programs approved by our Board of Directors. During July 2004, we completed a $50 million common stock repurchase program which was authorized by our Board of Directors in May 2004. In August 2004, our Board of Directors authorized the repurchase of an additional $50 million of our common stock which was subsequently increased by the Board of Directors to $100 million in September 2004. During the three and nine months ended September 30, 2004, we repurchased approximately 503,000 and 851,000 shares at a cost of $34.1 million and $57.3 million, respectively, under these repurchase programs. In October 2004, we completed our common stock repurchase program by buying an additional 1.7 million shares of our common stock at a cost of approximately $92.7 million.

In July 2004, we obtained a new revolving line of credit and simultaneously terminated our old line of credit. The new line of credit is a $150 million revolving credit facility which includes (1) a $25 million subfacility for the issuance of letters of credit and (2) a $15 million subfacility for swingline loans. The new line of credit matures in July 2009. At our option the new line of credit (other than swingline loans) bears interest at (1) the base rate (defined as the higher of (i) the Federal Funds Rate plus .5% and (ii) the Bank of America prime rate) and (2) the Eurodollar rate plus an applicable margin rate ranging from .75% to 1.75% based on our consolidated leverage ratio. Swing line loans bear interest at the base rate. Our new line of credit is collateralized by substantially all of our assets. We are subject to certain covenants and restrictions specified in our new line of credit, including covenants that require us to maintain a minimum level of net worth and that restrict us from paying dividends and making certain other distributions as specified therein. At September 30, 2004, we believe we were in compliance with such financial covenants and restrictions. We had no outstanding principal balances under our line of credit at September 30, 2004. We have outstanding letters of credit which reduced the amount available under our new line of credit by $7.0 million at September 30, 2004. During October 2004, we borrowed under our line of credit to finance the repurchase of our common stock and to complete an acquisition. As of November 1, 2004, the outstanding principal balance under our line of credit was $60.0 million.

We maintain professional liability insurance policies with third-party insurers, subject to deductibles, exclusions and other restrictions. We self-insure our liabilities to pay deductibles under our professional liability insurance coverage through a wholly-owned captive insurance subsidiary. We record a liability for self-insured deductibles and an estimate of liabilities for claims incurred but not reported based on an actuarial valuation using historical loss patterns. Effective May 1, 2004, we obtained professional liability coverage that expires on April 30, 2005 with substantially similar terms as our previous policy which includes a provision which may result in additional premiums or a return of premium based upon our actual losses. Such coverage includes an increase in premium costs as compared to our prior policy.

We anticipate that funds generated from operations, together with cash on hand, and funds available under our line of credit, will be sufficient to meet our working capital requirements, anticipated acquisitions, capital expenditures as presently planned and our contractual obligations for at least the next 12 months.

Caution Concerning Forward-Looking Statements

Certain information included or incorporated by reference in this Quarterly Report may be deemed to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies, and all statements (other than statements of historical facts) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. These statements are often characterized by terminology such as “believe,” “hope,” “may,” “anticipate,” “should,” “intend,” “plan,” “will,” “expect,” “estimate,” “project,” “positioned,” “strategy” and similar expressions and are based on assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. Any forward-looking statements in this Quarterly Report are made as of the date hereof, and we undertake no duty to update or revise any such statements, whether as a result of new information, future events or otherwise. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Important factors that could cause actual results, developments and business decisions to differ materially from forward-looking statements are described in our most recent Annual Report on Form 10-K, including the section entitled “Risk Factors”.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Our line of credit and an aircraft operating lease agreement are subject to market risk and interest rate changes. The line of credit bears interest at our option (other than swingline loans) at (1) the base rate (defined as the higher of (i) the Federal Funds Rate plus .5% and (ii) the Bank of America prime rate) and (2) the Eurodollar rate plus an applicable margin rate ranging from .75% to 1.75% based on our consolidated leverage ratio. Swing line loans bear interest at the base rate. The aircraft operating lease bears interest at a LIBOR-based variable rate. We had no outstanding principal balance under our line of credit at September 30, 2004. The outstanding balance related to the aircraft operating lease totaled approximately $5.1 million at September 30, 2004. Considering the total outstanding balance under the operating lease at September 30, 2004 of approximately $5.1 million, a 1% change in interest rates would result in an impact to income before income taxes of approximately $51,000 per year.

As of November 1, 2004, the outstanding principal balance under our line of credit was $60.0 million. Considering the total outstanding balance of this instrument at November 1, 2004, a 1% change in interest rates would result in an impact to income before income taxes of approximately $600,000 per year.

Item 4. Controls and Procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as of September 30, 2004, were effective at the reasonable assurance level to ensure that information required to be disclosed by us in reports that we file under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

There have been no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

In June 2002, we received a written request from the Federal Trade Commission ("FTC") to submit information on a voluntary basis in connection with an investigation of issues of competition related to our May 2001 acquisition of Magella Healthcare Corporation and our business practices generally. In February 2003, we received additional information requests from the FTC in the form of a Subpoena and Civil Investigative Demand. Pursuant to these requests, we produced documents and information relating to the acquisition and our business practices in certain markets. We have also provided on a voluntary basis additional information and testimony on issues related to the investigation. At this time, the investigation remains active and ongoing and we are cooperating fully with the FTC.

Beginning in April 1999, we received requests from various federal and state investigators for information relating to our billing practices for services reimbursed by Medicaid, and the United States Department of Defense's TRICARE program for military dependants and retirees. Since then, a number of the individual state investigations were resolved through agreements to refund certain overpayments and reimburse certain costs to the states. In June 2003, we were advised by a United States Attorney's Office that it was conducting a civil investigation with respect to our Medicaid billing practices nationwide. This federal Medicaid investigation, the TRICARE investigation, and related state inquiries are now being coordinated and are active and ongoing. We are cooperating fully with federal and state authorities with respect to these investigations and inquiries.

In November 2003, our maternal-fetal practice in Las Vegas, Nevada was served with a search warrant by the State of Nevada. The warrant requested information concerning Medicaid billings for maternal-fetal care provided by us in that state. We do not know the basis for the warrant or the nature of the issues relating to this investigation. We are cooperating fully with appropriate officials in the investigation.

Currently, management cannot predict the timing or outcome of any of these pending investigations and inquiries and whether they will have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations and the trading price of our common stock.

We also expect that additional audits, inquiries and investigations from government authorities and agencies will continue to occur in the ordinary course of our business. Such audits, inquiries and investigations and their ultimate resolutions, individually or in the aggregate, could have a material adverse effect on our business, financial condition or results of operations and the trading price of our common stock.

In the ordinary course of our business, we have become involved as a defendant in pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice related to medical services provided by our affiliated physicians. Our contracts with hospitals also generally require us to indemnify them and their affiliates for losses resulting from the negligence of our affiliated physicians. We are also subject to other lawsuits which may involve large claims and significant defense costs. We believe, based upon our review of pending actions and proceedings, that the outcome of such legal actions and proceedings will not have a material adverse effect on our business, financial condition or results of operations and the trading price of our common stock. The outcome of such actions and proceedings, however, cannot be predicted with certainty and an unfavorable resolution of one or more of them could have a material adverse effect on our business, financial condition or results of operations and the trading price of our common stock.

Although we currently maintain liability insurance coverage intended to cover medical malpractice and certain other claims, this coverage generally must be renewed annually and may not continue to be available to us in future years at acceptable costs and on favorable terms. In addition, our insurance coverage may not be adequate to cover liabilities arising out of claims asserted against us in the future where the outcomes of such claims are unfavorable to us. Liabilities in excess of our insurance coverage could have a material adverse effect on our business, financial condition and results of operations.

Table of Contents

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the three months ended September 30, 2004, the Company repurchased approximately 503,000 shares of its common stock at a cost of approximately $34.1 million under repurchase programs approved by its Board of Directors. All repurchases were made in the open market, subject to market conditions and trading restrictions.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Repurchase Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Repurchase Program (in thousands)
July 1, 2004 to July 31, 2004	395,700	$67.85	395,700	$ 0(1)
August 1, 2004 to August 31, 2004	94,519	$67.71	94,519	$43,600(2)
September 1, 2004 to September 30, 2004	12,619	$69.78	12,619	$92,720(3)
Total	**502,838**		**502,838**	

(1) During July 2004, the Company completed $50 million in common stock repurchases as authorized by the Board of Directors in May 2004.

(2) In August 2004, the Board of Directors authorized the repurchase of an additional $50 million of the Company’s common stock.

(3) In September 2004, the Board of Directors authorized a $50 million increase to the existing share repurchase program.

Item 6. Exhibits.

See Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PEDIATRIX MEDICAL GROUP, INC.

Date: November 8, 2004	By: /s/ Roger J. Medel, M.D. Roger J. Medel, M.D., Chief Executive Officer (principal executive officer)
Date: November 8, 2004	By: /s/ Karl B. Wagner Karl B. Wagner, Chief Financial Officer (principal financial officer)

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement and Plan of Merger dated as of February 14, 2001, among Pediatrix Medical Group, Inc., Infant Acquisition Corp. and Magella Healthcare Corporation (incorporated by reference to Exhibit 2.1 to Pediatrix's Current Report on Form 8-K dated February 15, 2001).
3.1	Amended and Restated Articles of Incorporation of Pediatrix (incorporated by reference to Exhibit 3.1 to Pediatrix's Registration Statement on Form S-1 (Registration No. 33-95086)).
3.2	Amended and Restated Bylaws of Pediatrix (incorporated by reference to Exhibit 3.2 to Pediatrix's Quarterly Report on Form 10-Q for the period ended June 30, 2000).
3.3	Articles of Designation of Series A Junior Participating Preferred Stock of Pediatrix (incorporated by reference to Exhibit 3.1 to Pediatrix's Current Report on Form 8-K dated March 31, 1999).
4.1	Rights Agreement, dated as of March 31, 1999, between Pediatrix and BankBoston, N.A., as rights agent including the form of Articles of Designations of Series A Junior Participating Preferred Stock and the form of Rights Certificate (incorporated by reference to Exhibit 4.1 to Pediatrix's Current Report on Form 8-K dated March 31, 1999).
31.1+	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32+	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\+ Filed herewith.

Exhibit 31.1

CERTIFICATIONS

I, Roger J. Medel, M.D., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pediatrix Medical Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2004

By: /s/ Roger J. Medel,M.D.
Roger J. Medel, M.D.,
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATIONS

I, Karl B. Wagner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pediatrix Medical Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2004

By: /s/ Karl B. Wagner
Karl B. Wagner,
Chief Financial Officer
(principal financial officer)

Exhibit 32

Certification Pursuant to 18 U.S.C. Section 1350,
As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Pediatrix Medical Group, Inc. on Form 10-Q for the quarter ended September 30, 2004 (the "Report"), each of the undersigned hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Pediatrix Medical Group, Inc.

A signed original of this written statement required by Section 906 has been provided to Pediatrix Medical Group, Inc. and will be retained by Pediatrix Medical Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

November 8, 2004

By: /s/ Roger J. Medel, M.D.

Roger J. Medel, M.D.,
Chief Executive Officer
(principal executive officer)

By: /s/ Karl B. Wagner

Karl B. Wagner
Chief Financial Officer
(principal financial officer)