UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 1998

OR

[ ] 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.)

1455 North Park Drive
Ft. Lauderdale, Florida 33326
(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 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 X No

At November 4, 1998, the Registrant had 15,285,732 shares of $0.01 par value common stock outstanding.

PEDIATRIX MEDICAL GROUP, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PEDIATRIX MEDICAL GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 1998 (Unaudited)	December 31, 1997
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 609	$ 18,562
Investments in marketable securities	--	27,132
Accounts receivable, net	50,610	34,866
Prepaid expenses	584	873
Other current assets	1,170	586
Total current assets	52,973	82,019
Property and equipment, net	11,648	9,898
Other assets, net	188,230	104,895
Total assets	$ 252,851	$ 196,812
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 20,945	$ 16,170
Income taxes payable	436	1,348
Current portion of note payable	200	200
Deferred income taxes	16,705	10,393
Total current liabilities	38,286	28,111
Line of credit	15,275	--
Note payable	2,400	2,550
Deferred income taxes	2,304	2,442
Other liabilities	772	--
Total liabilities	59,037	33,103
Minority interest	5,542	--
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	--	--
Common stock	153	151
Additional paid-in capital	126,185	122,391
Retained earnings	61,934	41,078
Unrealized gain on investments	--	89
Total stockholders' equity	188,272	163,709
Total liabilities and stockholders' equity	$ 252,851	$ 196,812

The accompanying notes are an integral part of these financial statements

PEDIATRIX MEDICAL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
	(in thousands, except for per share data)			
Net patient service revenue	$ 49,351	$ 34,444	$ 133,303	$ 92,056
Operating expenses:				
Salaries and benefits	30,334	21,874	82,478	59,257
Supplies & other operating expenses	3,575	2,467	9,663	6,927
Depreciation and amortization	2,372	1,278	6,185	3,069
Total operating expenses	36,281	25,619	98,326	69,253
Income from operations	13,070	8,825	34,977	22,803
Investment income	38	422	529	1,720
Interest expense	(392)	(76)	(743)	(225)
Income before income taxes	12,716	9,171	34,763	24,298
Income tax provision	5,086	3,668	13,907	9,719
Net income	$ 7,630	$ 5,503	$ 20,856	$ 14,579
Per share data:				
Net income per common and common equivalent share:				
Basic	$ .50	$ .37	$ 1.37	$ .97
Diluted	$ .48	$ .35	$ 1.31	$ .93
Weighted average shares used in computing net income per common and common equivalent share:				
Basic	15,256	15,065	15,214	14,985
Diluted	15,971	15,853	15,904	15,692

The accompanying notes are an integral part of these financial statements

PEDIATRIX MEDICAL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30, 1998	1997
	(in thousands)	
Cash flows provided from operating activities:		
Net income	$ 20,856	$ 14,579
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	6,185	3,069
Deferred income taxes	6,174	3,225
Changes in assets and liabilities:		
Accounts receivable	(15,744)	(9,561)
Prepaid expenses and other current assets	(295)	(146)
Other assets	202	(218)
Accounts payable and accrued expenses	4,429	2,711
Income taxes payable	(39)	4,495
Net cash provided from operating activities	21,768	18,154
Cash flows used in investing activities:		
Physician group acquisition payments	(81,989)	(56,163)
Purchase of investments	(9,939)	(10,424)
Proceeds from sale of investments	36,982	40,665
Purchase of property and equipment	(2,803)	(1,597)
Net cash used in investing activities	(57,749)	(27,519)
Cash flows from financing activities:		
Borrowings on line of credit, net	15,275	--
Payments on note payable	(150)	(150)
Proceeds from issuance of common stock	2,903	2,402
Net cash provided from financing activities	18,028	2,252
Net decrease in cash and cash equivalents	(17,953)	(7,113)
Cash and cash equivalents at beginning of period	18,562	18,435
Cash and cash equivalents at end of period	$ 609	$ 11,322

The accompanying notes are an integral part of these financial statements

PEDIATRIX MEDICAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 1998

(Unaudited)

1. Basis of Presentation:

The accompanying unaudited condensed consolidated financial statements of Pediatrix Medical Group, Inc. (the "Company" or "Pediatrix") presented herein do not include all disclosures required by generally accepted accounting principles 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 results of operations for the three and nine months ended September 30, 1998, are not necessarily indicative of the results of operations to be expected for the year ended December 31, 1998. The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 1998.

2. Business Acquisitions:

During the first nine months of 1998, the Company completed the acquisition of thirteen physician group practices. Total consideration for these acquisitions approximated $79 million in cash and 5,455,334 shares of stock in a subsidiary of the Company.

The Company has accounted for the acquisitions using the purchase method of accounting and the excess of cost over fair value of net assets acquired is being amortized on a straight-line basis over 25 years. The results of operations of the acquired practices have been included in the consolidated financial statements from the dates of acquisition.

The following unaudited pro forma information combines the consolidated results of operations of the Company and the physician group practices acquired during 1997 and 1998 as if the acquisitions had occurred on January 1, 1997:

	Nine Months Ended September 30,	
	1998	1997
	(in thousands, except for per share data)	
Net patient service revenue	$ 142,572	$ 123,175
Net income	21,152	15,714
Net income per share:		
Basic	1.39	1.05
Diluted	1.33	1.00

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.

3. Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses consists of the following:

	September 30, 1998	December 31, 1997
	(in thousands)	
Accounts payable	$ 3,168	$ 2,988
Accrued salaries and bonuses	7,291	5,340
Accrued payroll taxes and benefits	4,319	3,013
Accrued professional liability coverage	4,237	3,747
Other accrued expenses	1,930	1,082
	$ 20,945	$ 16,170

4. 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 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 period. Potential common shares consist of the dilutive effect of outstanding options calculated using the treasury stock method.

5. Accounting Pronouncements Recently Issued:

During 1998, the Company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income," which requires that all items recognized under accounting standards as components of comprehensive income be reported in the financial statements. The Company's comprehensive income was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
	(in thousands)			
Net income	$ 7,630	$ 5,503	$ 20,856	$ 14,579
Other comprehensive income (loss) net of tax:				
Unrealized holding gains arising during the period	--	19	--	19
Reclassification adjustment for losses (gains) included in net income	--	1	(89)	30
Net losses (gains) recognized in other comprehensive income	--	20	(89)	49
Comprehensive income	$ 7,630	$ 5,523	$ 20,767	$ 14,628

6. Contingencies:

During the ordinary course of business, the Company has become a party to pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice and are generally covered by insurance. These lawsuits are not expected to result in judgments which would exceed professional liability insurance coverage, and, therefore will not have a material impact on the Company's consolidated results of operations, financial position or liquidity, notwithstanding any possible insurance recovery.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Three Months Ended September 30, 1998 as Compared to Three Months Ended September 30, 1997

The Company reported net patient service revenue of $49.4 million for the three months ended September 30, 1998, as compared with $34.4 million for the same period in 1997, a growth rate of 43.3%. Of this $15.0 million increase, $12.5 million, or 83.3% was attributable to new units, including units at which the Company provides services as a result of acquisitions. Same unit patient service revenue increased $2.5 million, or 7.4%, for the three months ended September 30, 1998. Same units are those units at which the Company provided services for the entire period for which the percentage is calculated and the entire comparable period.

Salaries and benefits increased $8.4 million, or 38.7% to $30.3 million for the three months ended September 30, 1998, as compared with $21.9 million for the same period in 1997. Of this $8.4 million increase, $5.7 million, or 67.9%, was attributable to hiring new physicians, primarily to support new unit growth, and the remaining $2.7 million was primarily attributable to increased support staff and resources added in the areas of nursing, management and billing and reimbursement. Supplies and other operating expenses increased $1.1 million, or 44.9% to $3.6 million for the three months ended September 30, 1998, as compared with $2.5 million for the same period in 1997, primarily as a result of new units. Depreciation and amortization expense increased by $1.1 million, or 85.6% to $2.4 million for the three months ended September 30, 1998, as compared with $1.3 million for the same period in 1997, primarily as a result of amortization of goodwill in connection with acquisitions.

Income from operations increased $4.3 million, or 48.1%, to $13.1 million for the three months ended September 30, 1998, as compared with $8.8 million for the same period in 1997. The increase in income from operations was primarily due to increased volume, principally from acquisitions.

The Company earned investment income of approximately $38,000 for the three months ended September 30, 1998, as compared with approximately $422,000 for the same period in 1997. The decrease in investment income resulted primarily from the use of funds in connection with acquisitions.

The effective income tax rate was approximately 40% for the three month periods ended September 30, 1998 and 1997.

Net income increased 38.7% to $7.6 million for the three months ended September 30, 1998, as compared with $5.5 million for the same period in 1997. Net income as a percentage of net patient service revenue decreased to 15.5% for the three months ended September 30, 1998, compared to 16.0% for the same period in 1997 primarily as a result of a decrease in cash and investments and an increase in borrowings.

Nine Months Ended September 30, 1998 as Compared to Nine Months Ended September 30, 1997

The Company reported net patient service revenue of $133.3 million for the nine months ended September 30, 1998, as compared with $92.1 million for the same period in 1997, a growth rate of 44.8%. Of this $41.2 million increase, $37.3 million, or 90.5% was attributable to new units at which the Company provides services primarily as a result of acquisitions. Same unit patient service revenue, increased $3.9 million, or 5.5%, for the nine months ended September 30, 1998. Same units are those units at which the Company provided services for the entire period for which the percentage is calculated and the entire comparable period.

Salaries and benefits increased $23.2 million, or 39.2% to $82.5 million for the nine months ended September 30, 1998, as compared with $59.3 million for the same period in 1997. Of this $23.2 million increase, $17.1 million, or 73.7%, was attributable to hiring new physicians, primarily to support new unit growth, and the remaining $6.1 million was primarily attributable to increased support staff and resources added in the areas of nursing, management and billing and reimbursement. Supplies and other operating expenses increased $2.8 million, or 39.5% to $9.7 million for the nine months ended September 30, 1998, as compared with $6.9 million for the same period in 1997, primarily as a result of new units. Depreciation and amortization expense increased by $3.1 million, or 101.5% to $6.2 million for the nine months ended September 30, 1998, as compared with $3.1 million for the same period in 1997, primarily as a result of amortization of goodwill in connection with acquisitions.

Income from operations increased approximately $12.2 million, or 53.4%, to $35.0 million for the nine months ended September 30, 1998, as compared with $22.8 million for the same period in 1997. The increase in income from operations was primarily due to increased volume, principally from acquisitions.

The Company earned investment income of approximately $529,000 for the nine months ended September 30, 1998, as compared with $1.7 million for the same period in 1997. The decrease in investment income resulted primarily from the use of funds in connection with acquisitions.

The effective income tax rate was approximately 40% for the nine month periods ended September 30, 1998 and 1997.

Net income increased 43.1% to $20.9 million for the nine months ended September 30, 1998, as compared with $14.6 million for the same period in 1997. Net income as a percentage of net patient service revenue decreased to 15.6% for the nine months ended September 30, 1998, compared to 15.8% for the same period in 1997, primarily as a result of a decrease in cash and investments and an increase in borrowings.

Liquidity and Capital Resources

As of September 30, 1998, the Company had working capital of approximately $14.7 million, a decrease of $39.2 million from the working capital of $53.9 million available at December 31, 1997. The decrease is principally a result of funds utilized for acquisitions during the first nine months of 1998, offset by cash generated from operations.

The Company anticipates that funds generated from operations together with cash and funds available under its $75 million credit facility, will be sufficient to meet its working capital requirements and finance any required capital expenditures for at least the next twelve months.

Year 2000

The Company has conducted a comprehensive review of its computer systems to identify the systems that could be affected by the transition to the year 2000 and has developed an implementation plan to resolve any related issues. The Year 2000 problem is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a major system failure or miscalculations. The Company presently believes that, by modifying and upgrading its existing software, the transition to the year 2000 will not pose significant operational problems. The Company has not had any discussions with its payors to determine the status of their systems. However, if the Company or its vendors or payors do not make the modifications and conversions required on a timely basis it could have a material adverse effect on the Company's financial condition and results of operations.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

During the ordinary course of business, the Company has become a party to pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice and are generally covered by insurance. These lawsuits are not expected to result in judgments which would exceed professional liability insurance coverage, and, therefore will not have a material impact on the Company's consolidated results of operations, financial position or liquidity, notwithstanding any possible insurance recovery.

During 1998, the Internal Revenue Service concluded its examination of the Company for the tax years ended December 31, 1992, 1993 and 1994. The resolution of the examination did not have a material effect on the Company's consolidated financial position or results of operations.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security-Holders

Not applicable.

Item 5. Other Information

Rule 14a-4, adopted June 29, 1998, included certain changes with respect to a company's use of its discretionary proxy voting authority for proposals to be considered at annual meetings of shareholders. Pursuant to the Rule, if a proposal by a shareholder is not received at least 45 days prior to the month and day of mailing of a company's prior year's proxy statement (or by an earlier or later date established by an overriding advance notice provision in the company's charter or bylaws), then management proxies will be allowed to use their discretionary voting authority when the proposal is raised at the annual meeting, without discussion of the matter. The proxy statement for the Company's 1998 Annual Meeting of the Shareholders held on May 18, 1998, was mailed to its shareholders on or about April 6, 1998.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11.1 Statement Re: Computation of Per Share Earnings
27.1 Financial Data Schedule

(b) Reports on Form 8-K

None.

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 13, 1998 By: /s/ Roger J. Medel

Roger J. Medel, President and Chief Executive Officer (Principal Executive Officer)

Date: November 13, 1998 By: /s/ Karl B. Wagner

Karl B. Wagner, Chief Financial Officer (Principal Financial and Accounting Officer)

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
	(in thousands, except for per share data)			
Basic:				
Net income applicable to common stock	$ 7,630	$ 5,503	$ 20,856	$ 14,579
Weighted average number of common shares outstanding	15,256	15,065	15,214	14,985
Basic net income per share	$ .50	$ .37	$ 1.37	$ .97
Diluted:				
Net income applicable to common stock	$ 7,630	$ 5,503	$ 20,856	$ 14,579
Weighted average number of common shares outstanding	15,256	15,065	15,214	14,985
Weighted average number of dilutive common stock equivalents	715	788	690	707
Weighted average number of common and common equivalent shares outstanding	15,971	15,853	15,904	15,692
Diluted net income per share	$ .48	$ .35	$ 1.31	$ .93

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AT SEPTEMBER 30, 1998 AND THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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AMOUNTS FOR RECEIVABLES AND PROPERTY, PLANT AND EQUIPMENT ARE NET OF ANY ALLOWANCES AND ACCUMULATED DEPRECIATION.