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 MARCH 31, 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 May 4, 1998, the Registrant had 15,225,455 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

	MARCH 31, 1998 (UNAUDITED)	DECEMBER 31, 1997
	(IN THOUSANDS)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,947	$ 18,562
Investments in marketable securities	--	27,132
Accounts receivable, net	37,963	34,866
Prepaid expenses	701	873
Other current assets	612	586
Total current assets	42,223	82,019
Property and equipment, net	10,071	9,898
Other assets, net	156,225	104,895
Total assets	$208,519	$196,812
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 15,263	$ 16,170
Income taxes payable	2,257	1,348
Current portion of note payable	200	200
Deferred income taxes	11,902	10,393
Total current liabilities	29,622	28,111
Note payable	2,500	2,550
Deferred income taxes	3,069	2,442
Minority interest payable	2,949	--
Total liabilities	38,140	33,103
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	--	--
Common stock	152	151
Additional paid-in capital	123,030	122,391
Retained earnings	47,197	41,078
Unrealized gain on investments	--	89
Total stockholders' equity	170,379	163,709
Total liabilities and stockholders' equity	$208,519	$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 MARCH 31, 1998	THREE MONTHS ENDED MARCH 31, 1997
	(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)	
Net patient service revenue	$ 37,808	$ 27,013
Operating expenses:		
Salaries and benefits	23,560	17,609
Supplies and other operating expenses	2,695	2,102
Depreciation and amortization	1,688	783
Total operating expenses	27,943	20,494
Income from operations	9,865	6,519
Investment income	446	735
Interest expense	(109)	(74)
Income before income taxes	10,202	7,180
Income tax provision	4,083	2,872
Net income	$ 6,119	$ 4,308
Per share data:		
Net income per common and common equivalent share:		
Basic	$ .40	$ .29
Diluted	$ .39	$ .28
Weighted average shares used in computing net income per common and common equivalent share:		
Basic	15,159	14,887
Diluted	15,841	15,544

The accompanying notes are an integral part of
these financial statements

PEDIATRIX MEDICAL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
	(IN THOUSANDS)	
Cash flows provided (used) by operating activities:		
Net income	$ 6,119	$ 4,308
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,688	783
Deferred income taxes	2,136	717
Changes in assets and liabilities:		
Accounts receivable	(3,097)	(4,489)
Prepaid expenses and other current assets	146	300
Income taxes payable	909	2,010
Other assets	51	347
Accounts payable and accrued expenses	(1,267)	(680)
Net cash provided by operating activities	6,685	3,296
Cash flows provided (used) by investing activities:		
Physician group acquisition payments	(49,443)	(22,026)
Purchase of investments	(9,939)	(2,726)
Proceeds from sale of investments	36,983	25,371
Purchase of property and equipment	(482)	(606)
Net cash provided (used) by investing activities	(22,881)	13
Cash flows provided (used) by financing activities:		
Payments on note payable	(50)	(50)
Proceeds from issuance of common stock	631	617
Net cash provided by financing activities	581	567
Net increase (decrease) in cash and cash equivalents	(15,615)	3,876
Cash and cash equivalents at beginning of period	18,562	18,435
Cash and cash equivalents at end of period	$ 2,947	$ 22,311

The accompanying notes are an integral part of these financial statements

PEDIATRIX MEDICAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 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 months ended March 31, 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 three months of 1998, the Company completed the acquisition of eight physician group practices. Total consideration for these acquisitions approximated $48.6 million in cash and 2,951,327 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 companies 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:

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Net patient service revenue	$ 40,481	$ 35,641
Net income	6,299	4,690
Net income per share:		
Basic	.42	.32
Diluted	.40	.30

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(UNAUDITED)

3. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

	MARCH 31, 1998	DECEMBER 31, 1997
	(IN THOUSANDS)	
Accounts payable	$ 3,270	$ 2,988
Accrued salaries and bonuses	3,961	5,340
Accrued payroll taxes and benefits	2,911	3,013
Accrued professional liability coverage	3,790	3,747
Other accrued expenses	1,331	1,082
	$ 15,263	$ 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:

In the first quarter of 1998, the Company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income," which requires that all items required to be 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 MARCH 31,	
	1998	1997
Net Income	$6,119	$ 4,308
Other comprehensive income (loss), net of tax:		
Unrealized holding losses arising during the period	--	(39)
Reclassification adjustment for (gains) losses included in net income	(89)	30
Comprehensive income	$6,030	$ 4,299

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

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. The Company believes that the outcome of such legal actions and proceedings will not have a material adverse effect on the Company's financial condition, results of operations or liquidity.

7. SUBSEQUENT EVENTS:

Subsequent to March 31, 1998, the Company completed the acquisitions of two physician group practices. Total consideration for these acquisitions approximated $13.4 million in cash and 1,185,607 shares of stock in a subsidiary of the Company. The acquisitions will be accounted for using the purchase method of accounting.

Subsequent to March 31, 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, results of operations or cash flows.

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1998, AS COMPARED TO THREE MONTHS ENDED MARCH 31, 1997

The Company reported net patient service revenue of $37.8 million for the three months ended March 31, 1998, as compared with $27.0 million for the same period in 1997, a growth rate of 40.0%. This $10.8 million increase was primarily attributable to new units, including units at which the Company provides services as a result of acquisitions. Same unit patient service revenue, exclusive of administrative fees, increased by approximately $815,000, or 3.7% for the three months ended March 31, 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 prior comparable period.

Salaries and benefits increased approximately $6.0 million, or 33.8% to $23.6 million for the three months ended March 31, 1998, as compared with $17.6 million for the same period in 1997. Of this $6.0 million increase, $4.2 million was attributable to hiring new physicians, primarily to support new unit growth, and the remaining $1.8 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 $593,000, or 28.2% to $2.7 million for the three months ended March 31, 1998, as compared with $2.1 million for the same period in 1997, primarily as a result of new units. Depreciation and amortization expense increased by $905,000, or 115.6% to $1.7 million for the three months ended March 31, 1998, as compared with $783,000 for the same period in 1997, primarily as a result of amortization of goodwill in connection with acquisitions.

Income from operations increased approximately $3.4 million, or 51.3%, to $9.9 million for the three months ended March 31, 1998, as compared with $6.5 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 $446,000 for the three months ended March 31, 1998, as compared with $735,000 for the same period in 1997. The decrease in investment income resulted primarily from funds used in connection with acquisitions.

The effective income tax rate was approximately 40% for the three month periods ended March 31, 1998 and 1997.

Net income increased 42.0% to $6.1 million for the three months ended March 31, 1998, as compared with $4.3 million for the same period in 1997. Net income as a percentage of net patient service revenue increased to 16.2% for the three months ended March 31, 1998, compared to 15.9% for the same period in 1997.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 1998, the Company had working capital of approximately $12.6 million, a decrease of $41.3 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 quarter, offset by cash generated from operations.

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

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. The Company believes that the outcome of such legal actions and proceedings will not have a material adverse effect on the Company's financial condition, results of operations or liquidity.

Subsequent to March 31, 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, results of operation or cash flow.

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

Not applicable.

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 (for SEC use only)

(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: May 14, 1998

By: /s/ Roger J. Medel
Roger J. Medel, President and Chief Executive Officer (Principal Executive Officer)

Date: May 14, 1998

By: /s/ Lawrence M. Mullen
Lawrence M. Mullen, Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT 11.1

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

	THREE MONTHS ENDED MARCH 31, 1998	THREE MONTHS ENDED MARCH 31, 1997
	(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)	
Basic:		
Net income applicable to common stock	$ 6,119	$ 4,308
Weighted average number of common shares outstanding	15,159	14,887
Basic net income per share	$ 0.40	$ 0.29
Diluted:		
Net income applicable to common stock	$ 6,119	$ 4,308
Weighted average number of common shares outstanding	15,159	14,887
Weighted average number of dilutive common stock equivalents	682	657
Weighted average number of common and common equivalent shares outstanding	15,841	15,544
Diluted net income per share	$ .39	$ .28

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET OF PEDIATRIX MEDICAL GROUP, INC. AT MARCH 31, 1998 AND THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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JAN-01-1998
MAR-31-1998
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42,223
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(446)
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109
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4,083
6,119
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0
0
6,119
.40
.39

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