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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ____________ TO ___________

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)

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss.229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Securities Exchange Act Rule 12b-2). Yes [X] No [ ]

The aggregate market value of shares of Common Stock of the registrant held by non-affiliates of the registrant on June 28, 2002, was approximately $527,064,000 based on a $25.00 closing price per share as reported on the New York Stock Exchange composite transactions list on such date.

The number of shares of Common Stock of the registrant outstanding on March 20, 2003, was 23,768,342.

DOCUMENTS INCORPORATED BY REFERENCE:

The registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, with respect to the 2003 annual meeting of shareholders, is incorporated by reference in Part III of this Form 10-K to the extent stated herein. Except with respect to information specifically incorporated by reference in this Form 10-K, each document incorporated by reference herein is deemed not to be filed as a part hereof.

INDEX TO ITEMS

PART I

ITEM 1. BUSINESS

In this Annual Report on Form 10-K, the terms "Pediatrix", "PMG", "the Company", "we", "us" and "our" refer to Pediatrix Medical Group, Inc., a Florida corporation, together with its subsidiaries and its affiliated professional associations, corporations and partnerships (the "PA Contractors"). The PA Contractors are separate legal entities that contract with Pediatrix Medical Group, Inc. to provide physician services in certain states and Puerto Rico.

BUSINESS OVERVIEW

Pediatrix is the nation's largest physician group focused on maternal-fetal-newborn medicine. Pediatrix and its affiliated professional companies employ 622 physicians, including more than 500 neonatologists who staff and manage the clinical care at more than 200 hospital-based neonatal intensive care units ("NICUs") across the country, caring for babies born prematurely or with medical complications. In several of our markets, we also employ maternal-fetal physician specialists, or perinatologists, who care for expectant mothers with complicated pregnancies. In addition, we employ other pediatric subspecialists, including pediatric intensivists who staff hospital-based pediatric intensive care units, pediatric hospitalists and pediatric cardiologists.

Our principal mission is the clinical care of premature newborns, babies born with complications and patients with high-risk pregnancies. We staff and manage the clinical activities within specific units in hospitals, primarily NICUs, and we are an important component of the comprehensive labor and delivery and pediatric services that the hospitals provide to their communities. We employ physicians and advanced practitioners, who provide patient care, and we also provide professional and administrative support that includes contracting with third-party payors, billing and collections, risk management services, physician recruiting and credentialing and clinical outcomes data management.

Our model for hospital-based coverage provides 24-hour physician availability through either an on-site or on-call physician presence. We believe that our 24-hour coverage has enhanced our hospital relationships, making it possible for our physicians to provide patient care throughout the hospital, including the emergency room, nursery and other areas of the obstetrics and pediatrics departments where access to specialized care may be critical.

Our maternal-fetal medicine ("MFM") practices include a combination of outpatient and inpatient care. We employ perinatal physicians and other clinical professionals, as needed, including nurse mid-wives, ultrasonographers and genetic counselors. We also employ and manage administrative support staff and furnish the required medical equipment at our outpatient offices. All of our MFM practices are based in markets where our physicians also practice neonatal medicine. This allows us to improve patient care by using an integrated continuum of care model that directs treatment to the mother and developing fetus during the pregnancy, and to the baby upon delivery. As a result of these collaborations, we have entered into contractual arrangements with hospitals and third-party payors in certain markets that encompass the entire high risk maternal-fetal-newborn experience.

We monitor clinical outcomes, employ best demonstrated processes, and conduct clinical research to find new methods of care that result in better outcomes at a reduced overall cost. We make extensive physician continuing medical education resources available to our physicians to ensure that they have knowledge of current treatment methodologies.

We focus on best demonstrated processes, data collection and reporting to administrators and referring physicians. Our physicians work with the entire medical staff in hospitals to promote each hospital's strategic goals. Obstetrics is an important source of admissions for a hospital. We believe that our physicians' ability to manage patient outcomes has a direct impact on a hospital's reputation among referring physicians within its communities.

We generate value to our physicians by providing needed resources - clinical and administrative - that allow them to focus on patient care. For example, our Research Data System captures clinical information from daily progress notes in a centralized database that is used for outcomes reporting, retrospective clinical analysis, clinical quality initiatives and as a basis for prospective clinical trials.

In essence, our model removes many of the burdens that are associated with the management of a physician group practice and allows physicians to concentrate on patient care, adding value to patients, payors, hospital administrators and referring physicians through better clinical care.

DEMAND FOR OUR SERVICES

The demand for our services - physicians caring for patients - is determined in part by local market dynamics for health services and in part by national market dynamics for physicians. We have built our leading presence in neonatal and maternal-fetal medicine by advancing a comprehensive care model that addresses the needs of our various constituents, including patients and third-party payors, hospital administrators, referring physicians and our employed physicians who practice as part of our national group. There are approximately 4 million births in the U.S. annually, and we estimate that between 10 to 15 percent of all births require neonatal intensive care unit admissions. Babies admitted to NICUs are typically born prematurely, or have an illness or condition that requires the care of a neonatal physician subspecialist. Today, neonatal physicians generally practice in a traditional group practice setting, contracting with hospitals within a community to provide specified coverage in the NICU. Neonatologists are board-certified pediatricians who obtain additional training in neonatal medicine. Premature and low birthweight infants are at increased risk for medical complications and may require neonatal intensive care services. Approximately 11 percent of babies born in the U.S. are born "prematurely", before the 37th week of pregnancy. Approximately 8 percent of all babies are born weighing less than 2,500 grams, or five pounds, eight ounces, according to the U.S. Center for Health Statistics.

There is no known cause for babies born prematurely. While research is being conducted by numerous institutions to identify the potential cause of premature birth, some common factors that may contribute to prematurity of birth are lack of prenatal care, complications during pregnancy, smoking or poor nutritional habits during pregnancy. Because most neonatal admissions are the result of premature labor and delivery or other unanticipated complications, they are not planned events.

Across the United States, NICUs are concentrated primarily among hospitals with a higher volume of births. NICUs are important to hospitals since obstetrics departments generate one of the highest volumes of admissions, and obstetricians generally prefer to perform deliveries at hospitals with NICUs. Hospitals must maintain cost-effective care and service in these units to enhance the hospital's desirability to the community, physicians and managed care payors.

Pediatrix physicians work with our hospital partners to market comprehensive labor and delivery services to referring physicians, principally obstetricians, and also to general and family practice physicians within a particular community and its surrounding areas.

These referring physicians feel most comfortable delivering babies at hospitals that provide a full-service labor and delivery setting, which today includes a NICU staffed by board-certified/board-eligible neonatal physicians.

Like most physician subspecialties, neonatal medicine was started at academic centers. During the past three decades, neonatal physician services have migrated from academic centers to community hospitals in reaction to demand from obstetricians seeking additional resources to provide patient care in the labor and delivery area.

Hospital administrators responded to the demands of community-based obstetricians, an important source of hospital admissions, by building neonatal intensive care units and entering into contracts with independent physician group practices to staff and manage those units. Pediatrix is modeled around that traditional group practice structure, but because of our size we have non-clinical professional management that has proven abilities to achieve significant operating efficiencies in interacting with the hospitals, managing information systems and technologies and complying with government regulations.

In many of our markets, our neonatologists practice with physicians who are MFM subspecialists, or perinatologists, to provide integrated care for women with complicated pregnancies whose babies are often admitted to the NICU upon delivery. Perinatologists are board-certified obstetricians who obtain additional training in high-risk pregnancies to become eligible for perinatal board certification. Since many maternal-fetal cases result in an admission to a NICU, early involvement by the neonatologist helps to improve outcomes for both mother and child. In addition, we believe that improved perinatal care has a positive impact on neonatal outcomes. Our data on neonatal outcomes demonstrates that, in general, the longer the baby remains in the womb, the greater likelihood of decreased mortality and morbidity. Perinatologists are focused on extending the pregnancy to improve the viability of the fetus. We believe that our integrated care model, which includes maternal-fetal medicine, has improved the clinical outcomes of our patients and strengthened our relationships with patients, hospitals and payors.

PHYSICIAN SERVICES OVERVIEW

Within the healthcare services sector, the physician services sector remains largely fragmented. Today, administrative pressures on physicians make it increasingly difficult for them to simultaneously manage patient care, stay current on the latest procedures, and efficiently administer non-clinical activities.

The healthcare services sector is also under considerable cost containment pressures from a number of sources, principally third-party payors, including commercial and government payors.

Hospitals have entered into contractual relationships with physician groups and organizations to provide specialized care, including neonatal patient care in hospital-based units. Management of these units presents significant operational challenges for hospitals, including complex billing procedures, variable admissions rates, and difficulties in recruiting and retaining qualified physicians. Hospitals outsource with physician subspecialists in an effort to improve outcomes, contain costs, improve utilization management and reduce administrative burdens. Physician organizations assume responsibilities to provide professional management of staff, including recruiting, staffing and scheduling of physicians. Traditionally, hospitals have staffed these vital units through affiliations with small, local physician groups or with independent practitioners. Hospitals are increasingly seeking to contract with physician groups that have the clinical quality initiatives, information and reimbursement systems and management expertise that are required in the current health care environment.

OUR STRATEGY

Physicians remain receptive to joining or affiliating with a larger organization that provides value-added services and reduces administrative burdens. We believe these trends continue to present opportunities for us. We believe that hospitals will continue to outsource certain units, such as NICUs, on a contract management basis.

Our objective is to enhance our position as the nation's leading provider of neonatal and perinatal physician services by adding new practices and increasing same-unit growth. A central aspect of our strategy is to attract physicians to our national group by acquiring their practice and integrating it into our existing practice structure. We also continue to market our services to hospitals to obtain new contracts. The key elements of our strategy are as follows:

FOCUS ON NEONATAL, PERINATAL AND PEDIATRIC PATIENT CARE. Since our founding in 1979, we have focused primarily on neonatology and pediatric subspecialties. As a result of this focus, we believe that we have developed (i) significant expertise in the complexities of billing and reimbursement for neonatal physician services, (ii) a competitive advantage in recruiting and retaining neonatologists seeking to join a group practice and (iii) a clinical approach that includes research, education and clinical quality initiatives that help to advance the care provided to patients. In 1998, we expanded our business into perinatology, or MFM. We are continuing to focus our efforts in MFM and are dedicated to developing the same level of expertise in MFM that we have developed in neonatology over the course of more than two decades. We believe that our continued focus will allow us to enhance our position as the nation's leading provider of neonatal and maternal-fetal physician services.

INCREASE SAME UNIT GROWTH. We seek to provide our services to hospitals where we can benefit from increased admissions, and we intend to increase revenues at existing units by providing support to areas of the hospital outside the NICU and pediatric intensive care unit ("PICU"), particularly in the obstetrics and pediatrics departments where immediate accessibility to specialized care may be critical. These services generate incremental revenue for us, contribute to our overall profitability, enhance the hospital's profitability, strengthen our relationship with the hospital, and assist the hospital in attracting more admissions by enhancing the hospital's reputation in the community as a full-service critical care provider.

ACQUIRE NEONATAL AND PERINATAL PHYSICIAN GROUP PRACTICES. We intend to further increase the number of locations at which we provide physician services by acquiring established neonatal and MFM physician group practices. We completed our first acquisition of a neonatal physician group practice in July 1995 and since then we have completed numerous acquisitions of established physician group practices. We intend to continue actively pursuing acquisitions, attracting neonatal and perinatal physician group practices to our comprehensive model for patient care. However, we may not be able to identify future acquisition candidates or consummate any future acquisitions. See "Risk Factors - Our failure to find suitable acquisition candidates or successfully integrate any future or recent acquisitions could harm our business and results of operations."

DEVELOP REGIONAL NETWORKS. We intend to develop regional and statewide networks of NICUs and perinatal practices in geographic areas with high concentrations of births. We operate combined regional networks of NICUs and perinatal practices in the Austin, Dallas-Fort Worth, Denver-Colorado Springs, Des Moines, Kansas City, Las Vegas, Phoenix-Tucson, San Antonio, San Jose, Seattle-Tacoma and Southern California metropolitan areas. In addition, we intend to continue to acquire and develop perinatal practices in markets where we currently provide NICU services. We believe that the development of regional and statewide networks has generated clinical efficiencies, including best demonstrated processes, and operating efficiencies that have a pronounced positive effect on quality of care, length of stay and the overall cost of care.

ASSIST HOSPITALS TO CONTROL COSTS. Our comprehensive care model, which promotes early intervention by perinatologists and neonatologists in emergency situations, as well as the retention of qualified perinatologists and neonatologists, improves the overall cost effectiveness of care. We believe that our ability to assist hospitals to control costs will allow us to continue to be successful in adding new units at which we provide physician services.

ADDRESS CHALLENGES OF MANAGED CARE ENVIRONMENT. We intend to continue to develop new methods of doing business with managed care and third party payors that will allow us to strengthen our relationships with payors and hospitals. We are prepared to enter into flexible arrangements with third party payors. As the nation's leading provider of neonatal and perinatal physician services, we believe that we are well-positioned to address the needs of managed care organizations and other third party payors, which seek to contract with cost-effective quality providers of medical services.

EXPAND INTO ADDITIONAL HEALTHCARE SERVICES. We intend to use our expertise in maternal-fetal-newborn care, and managing hospital-based physician subspecialists, to expand and diversify our services. For example, we believe that our expertise running the "back-office" functions of hospital-based physician subspecialties can be applied to other areas of the hospital and other medical specialties. In addition, we believe there are opportunities to expand beyond care of high-risk pregnancies and premature and sick newborns. However, we may not be able to identify suitable opportunities. See "Risk Factors - We may be unable to successfully implement our strategy of diversifying our operations."

OUR PHYSICIAN SERVICES

We manage the physician services at NICUs and other hospital-based units. Our services include the following:

UNIT MANAGEMENT. We staff each NICU, MFM practice and other subspecialty area that we manage with a medical director who reports to one of our Regional Presidents ("RP"). The RPs and all medical directors at these units are board-certified or board-eligible physicians. In addition to providing medical care and physician management in the unit, the medical director is responsible for (i) overall management of the unit, including quality of care, professional discipline, utilization review and coordinating physician recruitment, staffing and scheduling, (ii) serving as a liaison to the hospital administration, (iii) maintaining professional and public relations in the hospital and the community, and (iv) monitoring our financial success within the unit.

RECRUITING, STAFFING AND SCHEDULING. We are responsible for recruiting, staffing and scheduling of physicians and advanced registered nurse practitioners ("ARNPs") within the NICUs and other practices and units that we manage. Our recruiting department maintains an extensive recruiting database of neonatologists, perinatologists and pediatricians nationwide. We pre-screen all candidates and check their credentials, licensure and references. The RPs and the medical directors play a key role in the recruiting and interviewing process before candidates are introduced to hospital administrators. The NICUs and PICUs that we manage are staffed by at least one neonatologist or pediatrician on site or available on call. These physicians are board-certified or board-eligible in neonatology, perinatology, pediatrics, pediatric critical care or pediatric cardiology, as appropriate. We also employ or contract with ARNPs, who assist our physicians in operating the NICUs and other units. All ARNPs have either a certificate as a neonatal nurse practitioner or pediatric nurse practitioner or a masters degree in nursing, and have previous neonatal or pediatric experience. We assume responsibility for salaries, benefits and physician malpractice insurance for the physicians who are employed by or under contract with us. See "Contractual Relationships."

SUPPORT TO OTHER HOSPITAL DEPARTMENTS. As part of our comprehensive care model, physicians provide support services in other areas of hospitals, particularly in the obstetrics, nursery and pediatrics departments, where immediate accessibility to specialized care may be critical. We believe that this support (i) improves our relations with hospital staff and referring physicians, (ii) enhances the hospital's reputation in the community as a full-service critical care provider, (iii) increases admissions from referring obstetricians and pediatricians, (iv) integrates the physicians into a hospital's medical community, (v) generates incremental revenue that contributes to our overall profitability, and (vi) increases the likelihood of our renewing existing and adding new hospital contracts.

BILLING AND REIMBURSEMENT. We assume responsibility for all aspects of billing, reimbursement and collections related to physician services. Third party payors and/or patients receive a bill from us for physician services. The hospital bills and collects separately for services it provides. To address the increasingly complex and time-consuming process of obtaining reimbursement for medical services, we have invested in both the technical and human resources necessary to create an efficient billing and reimbursement process, including specific claims forms and software systems. We begin this process by providing our physicians with a thorough training curriculum that emphasizes detailed documentation of and proper coding protocol for all procedures performed and services provided to achieve appropriate collection of revenues for physician services. Our billing and collection operations are conducted from our corporate offices, as well as our regional business offices located across the U.S. and in Puerto Rico. See "Risk Factors - From time to time we are subject to billing investigations by federal and state government authorities which could have an adverse effect on our business and results of operations and the trading price of our shares."

RISK MANAGEMENT SERVICES. The practice of medicine entails an inherent risk of claims of professional liability. We maintain professional liability insurance on a claims-made basis in accordance with standard industry practice. We are able to negotiate with malpractice insurance carriers on behalf of our national group of practitioners. In addition to the advantages of group purchasing for this coverage, we are able to relieve our practitioners of the burden of securing malpractice insurance in a market of increasing insurance premiums. In addition to managing medical risk with insurance, we take proactive steps to provide education and access to best demonstrated processes to our practitioners.

MARKETING AND DEVELOPMENT ACTIVITIES

Since 1996, Pediatrix has grown largely through acquisition activities that have successfully attracted seasoned neonatal and maternal-fetal specialists to our model for clinical care. Our business development group maintains relationships with many independent physician group practices within our subspecialties. Our marketing program to neonatal and perinatal physician groups consists of (i) market research to identify established physician groups, (ii) telemarketing to identify and contact acquisition candidates, as well as hospitals with high demand for perinatal and NICU services, and (iii) on-site visits conducted by business development personnel together with senior management.

Physicians practicing as part of Pediatrix also market their practices within their community and surrounding referral areas. Patient volume is based on referrals from other physicians, particularly obstetricians. Consequently, our physicians concentrate their marketing efforts on establishing and maintaining professional relationships with physicians based in those communities where they practice.

MANAGEMENT INFORMATION SYSTEMS

We maintain several systems to support our day-to-day operations, business development and ongoing clinical and business analysis, including (i) a clinical information system designed to reduce physicians' paperwork requirements while consolidating clinical information used to support our education, research and quality assurance programs, (ii) a coding algorithm to help our physicians in selecting the appropriate billing codes for services provided, (iii) a website (Natal U(TM)) that disseminates clinical research and education materials to physicians and patients, (iv) electronic interchange with payors using electronic benefits verification, claims submission and remittance advice, and (v) a database used by the business development and recruiting departments in recruiting physicians and identifying potential physician group acquisition candidates, which is updated through telemarketing activities, personal contacts, professional journals and mail solicitation. Ongoing systems development will provide even greater streamlining of information from the clinical systems through the reimbursement process, thereby expediting the overall process.

Our management information system is an integral component of the billing and reimbursement process. Our system enables us to track numerous and diverse third party payor relationships and payment methods and provides for electronic interchange in support of insurance benefits verification and claims processing to payors accepting electronic submission. Our system was designed to meet our requirements by providing maximum flexibility as payor groups upgrade their payment and reimbursement systems. See "Risk Factors - If we do not maintain effective and efficient information systems, our operations may be adversely affected."

CONTRACTUAL RELATIONSHIPS

HOSPITAL RELATIONSHIPS. Many of our contracts with hospitals grant us the exclusive right and responsibility to manage the provision of physician services to the NICUs and other hospital-based units. The contracts typically have terms of one to three years and renew automatically for additional terms of one to three years unless earlier terminated. The contracts typically provide that either party may terminate the agreement upon 90 days' written notice. We typically bill patients and third-party payors for physicians' services on a fee-for-service basis separately from other charges billed by the hospital to the same payors. Certain hospitals that do not generate sufficient patient volume agree to pay us administrative fees to assure a minimum revenue level. Administrative fees include guaranteed payments to us, as well as fees paid to us by certain hospitals for administrative services performed by our medical directors at such hospitals. Administrative fees accounted for 7%, 6% and 5% of our net patient service revenue during 2000, 2001 and 2002, respectively. The hospital contracts typically require that we and the physicians performing services maintain minimum levels of professional and general liability insurance. We negotiate those policies, contract and pay the premiums for such insurance on behalf of the physicians. See "Professional Liability and Insurance."

PAYOR RELATIONSHIPS. Substantially all of our contracts with third party payors are discounted fee-for-service contracts. We have a minor number of small capitated arrangements with certain payors. Under capitated arrangements, we are paid a flat monthly fee based on the number of individuals covered by a particular insurance plan. If we enter into relationships with third party payors with respect to regional and statewide networks, such relationships may be on a capitated basis.

PA CONTRACTOR RELATIONSHIPS. Pediatrix Medical Group, Inc. ("PMG") has entered into management agreements ("PA Management Agreements") with professional corporations or associations ("PA Contractors") in most of the states in which it operates. Each PA Contractor is owned by a licensed physician affiliated with PMG through employment or other contractual relationships. In accordance with applicable state laws, under the PA Management Agreements, the PA Contractors delegate to PMG only the administrative, management and support functions that the PA Contractors have agreed to provide to the hospital. PMG does not perform any functions that would constitute the practice of medicine. In consideration of services provided, each PA Contractor pays PMG either a percentage of the PA Contractor's gross revenue, but never greater than the net profits of such PA Contractor, or a flat fee. PMG has the discretion to determine whether the fee shall be paid on a monthly, quarterly or annual basis. The management fee may be adjusted from time to time to reflect industry standards and the range of services provided by the PA Contractor. The PA Management Agreements are long-term in nature, and in most cases permanent, subject only to termination by PMG, except in the case of gross negligence, fraud or illegal acts of PMG. Also, the PA Management Agreements provide that PMG has the right, but not the obligation to purchase, or to designate a person or persons to purchase, the stock of the PA Contractor for a nominal amount. Separately, in its sole discretion, PMG has the right to assign its interest in the PA Management Agreements. See Note 2 to our Consolidated Financial Statements and "Risk Factors - Regulatory authorities or other parties may assert that our arrangements with our affiliated professional contractors constitute fee-splitting or the corporate practice of medicine which could result in civil or criminal penalties or invalidation of our contracts, which in turn could have an adverse effect on our financial condition and results of operations."

PHYSICIAN RELATIONSHIPS. Our physician employment agreements typically have terms of three to five years and can be terminated by either party at any time upon 90 days' prior written notice. Each physician generally receives a base salary and is eligible for an incentive bonus. Each physician is required to hold a valid license to practice medicine in the appropriate state in which the physician provides patient care and to become a member of the medical staff, with appropriate privileges, at each hospital at which he or she practices. We are responsible for billing patients and third party payors for services rendered by the physician, and we have the exclusive right to establish the schedule of fees to be charged for such services. Substantially all the physicians employed by PMG or the PA Contractors have agreed not to compete with PMG or the PA Contractor within a specified geographic area for a certain period after termination of employment.

ACQUISITIONS. We structure acquisitions of physician practice groups as asset purchases, stock purchases or mergers. Generally, these structures provide for (i) the assignment to us or a PA Contractor of the contracts between the physician practice group and the hospital at which the physician practice group provides medical services, (ii) the procurement of "tail insurance" coverage that covers malpractice claims filed after the date of acquisition that are based on events that occurred prior to the acquisition, and (iii) the indemnification to us by the previous owners of the practice group for breaches of their representations and warranties contained in the purchase agreement. Generally, in acquisitions structured as asset purchases, we do not acquire the physician practice group's receivables or liabilities, including malpractice claims, arising from the physician practice group's activities prior to the date of the acquisition. Generally, in acquisitions structured as stock purchases or mergers, the physician practice group's receivables (net of any liabilities accruing prior to the acquisition and permitted indemnification claims) are assigned to the former owners of the physician practice group.

GOVERNMENT REGULATION

Our operations and relationships are subject to extensive and complex governmental and regulatory requirements relating to the practice of medicine and billing for services rendered to patients. We are also subject to laws and regulations that relate to business corporations in general. We exercise care in an effort to structure our practices and arrangements with hospitals and physicians to comply with applicable federal, state and local laws and regulations and we believe that such practices and arrangements comply in all material respects with all such existing applicable laws and regulations.

Approximately 23% of our net patient service revenue in 2002, exclusive of administrative fees, was derived from payments made by government-sponsored health care programs, principally Medicaid. These programs are subject to substantial regulation by the federal and state governments. Any change in reimbursement regulations, policies, practices, interpretations or statutes that places material limitations on reimbursement amounts or practices could adversely affect our operations. In addition, funds received under these programs are subject to audit with respect to the proper billing for physician and ancillary services and, accordingly, retroactive adjustments of revenue from these programs may occur. See "Risk Factors - Limitations of, reductions in or retroactive adjustments to reimbursement amounts or rates by government-sponsored health care programs could adversely affect our financial condition and results of operations."

For more information about the various regulatory requirements to which we are subject, see "Risk Factors - The health care industry is highly regulated and our failure to comply with laws or regulations, or a determination that in the past we have failed to comply with laws or regulations, could have an adverse effect on our financial condition and results of operations", "Risk

Factors - If we are found to have violated anti-kickback or self-referral laws, we could be subject to monetary fines, civil and criminal penalties and exclusion from participation in government-sponsored health care programs, which would have an adverse effect on our business and results of operations", "Risk Factors - Regulatory authorities or other parties may assert that our arrangements with our affiliated professional contractors constitute fee-splitting or the corporate practice of medicine which could result in civil or criminal penalties or invalidation of our contracts, which in turn could have an adverse effect on our financial condition and results of operations", "Risk Factors - Federal and state laws that protect the privacy of patient health information may increase our costs and limit our ability to collect and use that information", and "Risk Factors - Federal and state health care reform, or changes in the interpretation of government-sponsored health care programs, may have an adverse effect on our financial condition and results of operations."

GOVERNMENT INVESTIGATIONS

On June 6, 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 ("Magella") and our business practices generally. On February 5, 2003, we received additional information requests from the FTC in the form of a Subpoena and Civil Investigative Demand. Pursuant to these requests, the FTC has requested documents and information relating to the acquisition and our business practices in certain markets. We are cooperating fully with the FTC. We cannot predict the outcome of the investigation and whether it, or any similar future investigation or claim by the FTC or other parties, will have a material adverse effect on our business, financial condition, results of operations or the trading price of our shares. See "Risk Factors - The Federal Trade Commission or other parties may assert that our 2001 acquisition of Magella or our business practices violate antitrust laws, which could have an adverse effect on us."

In April 2002, we entered into a settlement agreement with the Colorado Department of Health Care Policy and Financing resolving the State of Colorado's Medicaid investigation of the Company. We had received requests in April 1999, and in one case a subpoena, from state and federal investigators in Arizona, Florida and Colorado for information related to our billing practices for services reimbursed by the Medicaid programs in those states and by the TRICARE program for military dependents. The Arizona and Florida Medicaid investigations were closed in 2000 after we entered into settlement agreements with those states. The TRICARE investigation is active and ongoing. These previously disclosed investigations have prompted inquiries by Medicaid officials in other states. We believe that additional audits, inquiries and investigations from government agencies will continue to occur in the ordinary course of our business. We cannot predict whether any such audits, inquiries or investigations will have a material adverse effect on our business, financial condition, results of operations or the trading price of our shares.

OTHER LEGAL PROCEEDINGS

On May 3, 2002, the United States District Court for the Southern District of Florida entered an Order and Final Judgment approving the settlement of the class action litigation filed against us and certain of our officers in February 1999 relating to alleged violations of securities laws. Under the terms of the settlement, the plaintiffs' claim was dismissed with prejudice in exchange for a cash payment of $12.0 million, which was covered by insurance policies.

During the ordinary course of business, we have become a party to pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice. Although these actions and proceedings are generally expected to be covered by insurance, there can be no assurance that our medical malpractice insurance coverage will be adequate to cover all potential liabilities. We believe, based upon our review of these pending matters, that the outcome of such legal actions and proceedings will not have a material adverse effect on our business, financial condition, results of operations or the trading price of our shares. See "Item 3. Legal Proceedings."

PROFESSIONAL LIABILITY AND INSURANCE

The practice of medicine entails an inherent risk of claims of professional liability. We maintain professional liability insurance and general liability insurance on a claims-made basis in accordance with standard industry practice. We believe that our coverage is appropriate based upon our claims experience and the nature and risks of our business. There can be no assurance that a pending or future claim or claims will not be successful or if successful will not exceed the limits of available insurance coverage. See "Item 3. Legal Proceedings" and "Risk Factors - We may be subject to malpractice and other lawsuits, some of which we may not be fully insured against."

In order to maintain hospital privileges, the physicians who are employed by or under contract with us are required to maintain professional liability insurance coverage. We contract and pay the premiums for such insurance for the physicians. Our current professional liability insurance policy expires May 1, 2003, and we are currently reviewing our coverage options, which may include a higher self-insured retention. There can be no assurance that we can obtain substantially similar coverage upon expiration or that such coverage will continue to be available at acceptable costs and on favorable terms. Based upon current conditions in the insurance markets, we expect that our professional liability insurance premiums will increase over prior periods.

COMPETITION

The health care industry is highly competitive and has been subject to continual changes in the method in which health care services are provided and the manner in which health care providers are selected and compensated. We believe that private and public reforms in the health care industry emphasizing cost containment and accountability will serve as a catalyst for neonatal and perinatal care to shift from highly fragmented, individual or small practice providers to larger physician groups. Companies in other health care industry segments, such as managers of other hospital-based specialties or large physician group practices, some of which have financial and other resources greater than ours, may become competitors in providing perinatal, neonatal and pediatric intensive care physician services to patients. Competition in our business is generally based upon reputation and experience, and our physicians' ability to provide cost-effective, quality care. See "Risk Factors - Our industry is already competitive and increased competition could adversely affect our revenues."

SERVICE MARKS

We have registered the service marks "Pediatrix Medical Group" and "Obstetrix Medical Group" and their design as well as the baby design logo with the United States Patent and Trademark Office. In addition, we have pending applications to register the trademark "NatalU" and service mark "NatalU - A University Without Walls".

EMPLOYEES AND PROFESSIONALS UNDER CONTRACT; GEOGRAPHIC COVERAGE

In addition to the 622 practicing physicians employed by or under contract with us as of December 31, 2002, Pediatrix employed or contracted with 402 other clinical professionals and 1,267 other full-time and part-time employees. None of our employees are subject to a collective bargaining agreement.

We provide services in Alaska, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Indiana, Illinois, Iowa, Kansas, Kentucky, Maryland, Missouri, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Puerto Rico, South Carolina, Tennessee, Texas, Utah, Virginia, Washington and West Virginia. During 2002, approximately 62% of our net patient service revenue was generated by operations in our five largest states. See "Risk Factors - We may be adversely affected by unfavorable regulatory or other changes or conditions in geographic areas where our operations are concentrated."

INFORMATION AVAILABLE ON OUR WEBSITE

Our Annual Reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available through our Internet website www.pediatrix.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). Our Internet website and the information contained therein or connected thereto are not incorporated into this Annual Report on Form 10-K.

RISK FACTORS

THE FEDERAL TRADE COMMISSION OR OTHER PARTIES MAY ASSERT THAT OUR 2001 ACQUISITION OF MAGELLA OR OUR BUSINESS PRACTICES VIOLATE ANTITRUST LAWS, WHICH COULD HAVE AN ADVERSE EFFECT ON US.

The health care industry is highly regulated for antitrust purposes. We believe that our industry will continue to be subject to increasing regulation and enforcement action. In recent years, the Federal Trade Commission (the "FTC"), the Department of Justice, and state Attorneys General have taken increasing steps to review and, in some cases, take enforcement action against, acquisitions and business conduct in the health care industry. On June 6, 2002, we received a written request from the 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 and our business practices generally. On February 5, 2003, we received additional information requests from the FTC in the form of a Subpoena and Civil Investigative Demand. Pursuant to these requests, the FTC has requested documents and information relating to the acquisition and our business practices in certain markets. We intend to continue to cooperate fully with the information requests but at this time cannot predict the outcome of the investigation and whether it, or any similar future investigation or claim by other parties, will have a material adverse effect on our business, financial condition, results of operations or the trading price of our shares.

FROM TIME TO TIME WE ARE SUBJECT TO BILLING INVESTIGATIONS BY FEDERAL AND STATE GOVERNMENT AUTHORITIES WHICH COULD HAVE AN ADVERSE EFFECT ON OUR BUSINESS AND RESULTS OF OPERATIONS AND THE TRADING PRICE OF OUR SHARES.

State and federal statutes impose substantial penalties, including civil and criminal fines, exclusion from participation in government health care programs and imprisonment, on entities or individuals (including any individual corporate officers or physicians deemed responsible) that fraudulently or wrongfully bill governmental or other third party payors for health care services. In addition, federal laws allow a private person to bring a civil action in the name of the United States government for false billing violations. In April 1999, we received requests, and in one case a subpoena, from investigators in Arizona, Colorado and Florida for information related to our billing practices for services reimbursed by the Medicaid programs in these states and by the TRICARE program for military dependents. Our disclosure of the investigations caused our share price to substantially decrease.

The TRICARE investigation is active and ongoing, and this matter, along with the Arizona, Colorado and Florida matters, has prompted inquiries by Medicaid officials in other states. We cannot predict whether the TRICARE investigation or any other inquiries will have a material adverse effect on our business, financial condition or results of operations or on the trading prices of our shares. We believe that additional billing audits, inquiries and investigations by government agencies will continue to occur in the ordinary course of our business and in the health care services industry in general from time to time.

WE MAY BE ADVERSELY AFFECTED BY UNFAVORABLE REGULATORY OR OTHER CHANGES OR CONDITIONS IN GEOGRAPHIC AREAS WHERE OUR OPERATIONS ARE CONCENTRATED.

During 2000, 2001 and 2002, approximately 55%, 59% and 62%, respectively, of our net patient service revenue was generated by operations in our five largest states. Over those same periods, our operations in Texas accounted for approximately 18%, 29% and 33% of our net patient service revenue. Adverse changes or conditions affecting these markets, such as health care reforms, changes in laws and regulations, reduced Medicaid reimbursements, reductions in the supply of trained physicians and government investigations, may have an adverse effect on our operations. We continue to seek to diversify the geographic scope of our operations, primarily through acquisitions of physician group practices. We may not be able to implement successfully or realize the expected benefits of any of these initiatives. Our failure to so diversify our operations geographically could have a material adverse effect on our business, financial condition, results of operations or the trading price of our shares.

THE HEALTH CARE INDUSTRY IS HIGHLY REGULATED AND OUR FAILURE TO COMPLY WITH LAWS OR REGULATIONS, OR A DETERMINATION THAT IN THE PAST WE HAVE FAILED TO COMPLY WITH LAWS OR REGULATIONS, COULD HAVE AN ADVERSE EFFECT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The health care industry and physicians' medical practices are highly regulated. We believe that this industry will continue to be subject to increasing regulation, the scope and effect of which we cannot predict. Neonatal, perinatal and other health care services that we and our affiliated professional contractors provide are subject to extensive and complex federal, state and local laws and regulations governing various matters such as the licensing and certification of our facilities and personnel, the conduct of our operations, our billing and coding policies and practices, our policies and practices with regard to patient privacy and confidentiality, and prohibitions on payments for the referral of business and self-referrals. As a result of our desire to assure compliance with the increasingly complex regulatory environment for the health care industry, we maintain a company-wide compliance program. Nevertheless, we may become the subject of additional regulatory or other investigations or proceedings, and our interpretations of applicable laws and regulations may be challenged. The defense of any such challenge could result in substantial cost to us and a diversion of management's time and attention. Thus, any such challenge could have a material adverse effect on our business, regardless of whether it ultimately is successful. If we fail to comply with these laws, or a determination is made that in the past we have failed to comply with these laws, our financial condition and results of operations could be adversely affected. In addition, changes in health care laws or regulations may restrict our existing operations, limit the expansion of our business or impose additional compliance requirements. These changes, if enacted, could reduce our opportunities for continued growth and impose additional compliance costs on us that we may not recover through price increases.

LIMITATIONS OF, REDUCTIONS IN OR RETROACTIVE ADJUSTMENTS TO REIMBURSEMENT AMOUNTS OR RATES BY GOVERNMENT-SPONSORED HEALTH CARE PROGRAMS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Approximately 23% of our net patient service revenue in 2002, exclusive of administrative fees, was derived from payments made by government-sponsored health care programs, principally Medicaid. These government programs, as well as private insurers, have taken and may continue to take steps to control the cost, use and delivery of health care services. There can be no assurance that payments from government or private payors will remain at levels comparable to present levels. Our business could be adversely affected by reductions in or limitations of reimbursement amounts or rates under these programs, reductions in funding of these programs or elimination of coverage for certain individuals or treatments under these programs, which may be implemented as a result of:

- increasing budgetary and cost containment pressures on the health care industry generally;

- new federal or state legislation reducing state Medicaid funding and reimbursements or increasing state discretionary funding;

- new state legislation encouraging or mandating state Medicaid managed care;

- state Medicaid waiver requests granted by the federal government, increasing discretion with respect to, or reducing coverage or funding for, certain individuals or treatments under Medicaid, in the absence of new federal legislation;

- increasing state discretion in Medicaid expenditures which may result in decreased reimbursement for, or other limitations on, the services that we provide; or

- other changes in reimbursement regulations, policies or interpretations that place material limitations on reimbursement amounts or practices for services that we provide.

In addition, these government-sponsored health care programs generally provide for reimbursements on a fee schedule basis rather than on a charge-related basis. Therefore, we generally cannot increase our revenues by increasing the amount we charge for our services. To the extent our costs increase, we may not be able to recover our increased costs from these government programs. In states where Medicaid managed care is encouraged and may become mandated, Medicaid reimbursement payments to us could be reduced as managed care organizations bargain for reimbursement with competing providers and contract with these states to provide benefits to Medicaid enrollees. Moreover, cost containment measures and market changes in non-governmental insurance plans have generally restricted our ability to recover, or shift to non-governmental payors, these increased costs.

In attempts to limit federal spending, there have been, and we expect that there will continue to be, a number of proposals to limit Medicare and Medicaid reimbursement for various services. For example, the Balanced Budget Act of 1997 has made it easier for states to reduce their Medicaid reimbursement levels. Some states have enacted or are considering enacting measures that are designed to reduce their Medicaid expenditures. This Act also mandated that the Centers for Medicare and Medicaid Services, or CMS (formerly known as Health Care Financing Administration, or HCFA), conduct competitive bidding demonstrations for certain Medicare services. These competitive bidding demonstrations could provide CMS and Congress with a model for implementing competitive pricing in other federal health care programs. If, for example, such a competitive bidding system were implemented for Medicaid services, it could result in lower reimbursement rates, exclude certain services from coverage or impose limits on increases in reimbursement rates. Our business may be significantly and adversely affected by any such changes in reimbursement policies and other legislative initiatives aimed at reducing health care costs associated with Medicare and Medicaid.

In addition, funds we receive from third party payors, including government programs, are subject to audit with respect to the proper billing for physician and ancillary services and, accordingly, our revenue from these programs may be adjusted retroactively.

IF OUR PHYSICIANS DO NOT APPROPRIATELY RECORD AND DOCUMENT THE SERVICES THAT THEY PROVIDE, OUR REVENUES COULD BE ADVERSELY AFFECTED.

Physicians employed or under contract with our affiliated professional contractors are responsible for assigning reimbursement codes and maintaining sufficient supporting documentation in respect of the services that they provide. We use this information to seek reimbursement for their services from third party payors. If our physicians do not appropriately code or document their services, our revenues could be adversely affected. For instance, in response to billing investigations or other governmental inquiries, our affiliated physicians could take an unduly conservative approach to coding for their services. As a result, we could receive lower reimbursements from third party payors which could have a material adverse effect on our revenues and results of operations.

OUR FAILURE TO FIND SUITABLE ACQUISITION CANDIDATES OR SUCCESSFULLY INTEGRATE ANY FUTURE OR RECENT ACQUISITIONS COULD HARM OUR BUSINESS AND RESULTS OF OPERATIONS.

We have expanded and intend to continue to expand our geographic and market penetration primarily through acquisitions of physician group practices. However, we may not be able to implement our acquisition strategy, and our strategy may not be successful. In implementing our acquisition strategy, we compete with other potential acquirers, some of which may have greater financial or operational resources than we do. Competition for acquisitions may intensify due to the ongoing consolidation in the health care industry, which may increase the costs of capitalizing on such opportunities. In addition, completion of acquisitions could result in us incurring or assuming indebtedness and issuing equity. The issuance of shares of our common stock for an acquisition may result in dilution to our existing shareholders.

Although we conduct due diligence reviews of potential acquisition candidates, including with respect to financial matters and compliance with applicable laws, we cannot be certain that the acquired business will continue to maintain its pre-acquisition revenues and growth rates following the acquisition, nor can we be certain as to the absence or extent of any unknown or contingent liabilities, including liabilities for failure to comply with applicable laws. While we generally seek indemnification from the prior owners of acquired businesses covering these matters (although we have no indemnification in our Magella acquisition), we may incur material liabilities for past activities of acquired businesses. Moreover, integrating acquisitions into our existing operations involves numerous additional short and long-term risks, including:

- diversion of our management's attention;
- failure to retain key personnel;
- long-term value of acquired intangible assets; and
- one-time acquisition expenses.

We cannot assure you that we will complete or integrate acquisitions in new states; but if we do, we will be required to comply with the laws and regulations of those states, which may differ from those of the states in which our operations are currently conducted. Many of our acquisition-related expenses may have a negative effect on our results of operations until, if ever, these expenses are offset by increased revenues. We cannot assure you that we will identify suitable acquisition candidates in the future or that we will complete future acquisitions or, if completed, that any acquisition, including our recent acquisitions, will be integrated successfully into our operations or that we will be successful in achieving our objectives.

WE MAY BE UNABLE TO SUCCESSFULLY IMPLEMENT OUR STRATEGY OF DIVERSIFYING OUR OPERATIONS.

We are beginning to explore potential strategic initiatives to diversify our operations. Such initiatives would likely be either clinically related to our current core business or in areas within healthcare that would allow us to leverage our current business expertise. We may not be able to identify appropriate diversification opportunities. If we are able to identify potential diversification opportunities, we may not be able to implement successfully or realize the expected benefits of such opportunities.

REGULATORY AUTHORITIES OR OTHER PARTIES MAY ASSERT THAT OUR ARRANGEMENTS WITH OUR AFFILIATED PROFESSIONAL CONTRACTORS CONSTITUTE FEE-SPLITTING OR THE CORPORATE PRACTICE OF MEDICINE WHICH COULD RESULT IN CIVIL OR CRIMINAL PENALTIES OR INVALIDATION OF OUR CONTRACTS, WHICH IN TURN COULD HAVE AN ADVERSE EFFECT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Many states have laws that prohibit business corporations, such as PMG, from practicing medicine, exercising control over medical judgments or decisions of physicians, or engaging in certain arrangements, such as fee-splitting, with physicians. In these states, we maintain long-term management contracts with professional associations and partnerships that are owned by licensed physicians, and these affiliated professional contractors in turn employ or contract with physicians to provide physician services. In states where we are not permitted to practice medicine, we perform only non-medical administrative services, do not represent that we offer medical services and do not exercise influence or control over the practice of medicine by the physicians employed by our affiliated professional contractors. In states where fee-splitting is prohibited, the fees that we receive from our affiliated professional contractors have been established on a basis that we believe complies with the applicable states' laws. Although we believe that we are in compliance with applicable state laws in relation to the corporate practice of medicine and fee-splitting, we cannot assure you of this. Regulatory authorities or other parties, including our affiliated physicians, may assert that, despite these arrangements, we are engaged in the corporate practice of medicine or that our contractual arrangements with our affiliated professional contractors constitute fee-splitting or the corporate practice of medicine, in which case we could be subject to civil and criminal penalties, our contracts could be found legally invalid and unenforceable (in whole or in part) or we could be required to restructure our contractual arrangements with our affiliated professional contractors. We cannot assure you that this will not occur or, if it does, that we would be able to restructure our contractual arrangements on terms that are similar or at least as favorable to us. If we were unable to so restructure our contractual arrangements, our financial condition and results of operations could suffer.

IF WE ARE FOUND TO HAVE VIOLATED ANTI-KICKBACK OR SELF-REFERRAL LAWS, WE COULD BE SUBJECT TO MONETARY FINES, CIVIL AND CRIMINAL PENALTIES AND EXCLUSION FROM PARTICIPATION IN GOVERNMENT-SPONSORED HEALTH CARE PROGRAMS, WHICH WOULD HAVE AN ADVERSE EFFECT ON OUR BUSINESS AND RESULTS OF OPERATIONS.

Our business is subject to extensive federal and state regulation with respect to financial relationships and "kickbacks" among health care providers, physician self-referral arrangements and other fraud and abuse issues. Federal anti-kickback laws and regulations prohibit certain offers, payments or receipts of remuneration in return for (i) referring Medicaid or other government-sponsored health care program patients or patient care opportunities or (ii) purchasing, leasing, ordering or arranging for or recommending any service or item for which payment may be made by a government-sponsored health care program. In addition, federal physician self-referral legislation, known as the Stark law, prohibits a physician from ordering certain services reimbursable by Medicare or Medicaid from any entity with which the physician has a financial relationship. These laws are broadly worded and, in the case of the anti-kickback law, have been broadly interpreted by federal courts, and potentially subject many business arrangements to government investigation and prosecution, which can be costly and time consuming. Violations of these laws are punishable by monetary fines, civil and criminal penalties, exclusion from participation in government-sponsored health care programs and forfeiture of amounts collected in violation of such laws, which could have an adverse effect on our business and results of operations. Certain states in which we do business also have similar anti-kickback and self-referral laws, imposing substantial penalties for violations. The relationships, including fee arrangements, among our affiliated professional contractors, hospital clients and physicians have not been examined by federal or state authorities under these anti-kickback and self-referral laws and regulations.

FEDERAL AND STATE LAWS THAT PROTECT THE PRIVACY OF PATIENT HEALTH INFORMATION MAY INCREASE OUR COSTS AND LIMIT OUR ABILITY TO COLLECT AND USE THAT INFORMATION.

Numerous federal and state laws and regulations govern the collection, dissemination, use and confidentiality of patient-identifiable health information, including the federal Health Insurance Portability and Accountability Act of 1996 and related rules, or HIPAA. As part of our medical record keeping, third party billing, research and other services, we collect and maintain patient-identifiable health information. New health information standards, whether implemented pursuant to HIPAA, congressional action or otherwise, could have a significant effect on the manner in which we handle health care related data and communicate with payors, and the cost of complying with these standards could be significant. If we do not comply with existing or new laws and regulations related to patient health information we could be subject to criminal or civil sanctions.

FEDERAL AND STATE HEALTH CARE REFORM, OR CHANGES IN THE INTERPRETATION OF GOVERNMENT-SPONSORED HEALTH CARE PROGRAMS, MAY HAVE AN ADVERSE EFFECT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Federal and state governments have recently focused significant attention on health care reform. In recent years, many legislative proposals have been introduced or proposed in Congress and some state legislatures that would effect major changes in the health care system. Among the proposals which are being or have been considered are cost controls on hospitals, insurance reforms and the creation of a single government health plan that would cover all citizens. Some proposals under consideration, or others which may be introduced, could, if adopted, have a material adverse effect on our financial condition and results of operations. We cannot predict which, if any, proposal that has been or will be considered will be adopted or what effect any future legislation will have on us.

WE MAY NOT BE ABLE TO SUCCESSFULLY RECRUIT ADDITIONAL AND RETAIN EXISTING QUALIFIED PHYSICIANS TO SERVE AS OUR INDEPENDENT CONTRACTORS OR EMPLOYEES.

Our business strategy is dependent upon our ability to recruit and retain qualified neonatologists and perinatologists. We compete with many types of health care providers, including teaching, research and government institutions, for the services of qualified physicians. In addition, upon the expiration of the employment contracts of our affiliated physicians, which typically have terms of three to five years, we generally seek the renewal of such contracts. We may not be able to continue to recruit and retain, through renewal of existing contracts or otherwise, a sufficient number of qualified neonatologists and perinatologists who provide services in markets served by us on terms similar to our current arrangements. Our inability to recruit additional or retain our current physicians on terms that are similar to our current arrangements (or that are otherwise acceptable to us) could adversely affect our ability to service existing or new units at hospitals or expand our business, which could have a material adverse effect on our business, financial condition, results of operations or the trading price of our shares.

WE MAY BE SUBJECT TO MALPRACTICE AND OTHER LAWSUITS, SOME OF WHICH WE MAY NOT BE FULLY INSURED AGAINST.

Our business entails an inherent risk of claims of medical malpractice against our physicians and us. We periodically become involved as a defendant in medical malpractice lawsuits, some of which are currently ongoing, and are subject to the attendant risk of substantial damage awards. A significant source of potential liability is negligence or alleged negligence by physicians employed or contracted by us or our affiliated professional contractors. To the extent these physicians are our employees, or are regarded as our agents, we could be held liable. In addition, our contracts with hospitals generally require us to indemnify them and their affiliates for losses resulting from the negligence of physicians who are associated with us. We maintain professional liability insurance on a claims-made basis in accordance with standard industry practice. We believe that our coverage is appropriate based upon our claims experience and the nature and risks of our business. There can be no assurance that a pending or future claim or claims will not be successful or if successful will not exceed the limits of available insurance coverage. Our current professional liability insurance policy expires May 1, 2003, and we are currently reviewing our coverage options, which may include a higher self-insured retention. There can be no assurance that we can obtain substantially similar coverage upon expiration or that such coverage will continue to be available at acceptable costs and on favorable terms. Based upon current insurance markets, we expect that our professional liability insurance premiums will increase over prior periods.

From time to time we have been subject to other lawsuits. We recently settled a class action lawsuit brought by a class of open market purchasers of our common stock. The class action lawsuit alleged that we had violated federal securities laws. We may be subject to lawsuits in the future which may involve large claims and significant defense costs. Although we currently maintain liability insurance intended to cover such claims, the coverage limits of such insurance policies may prove to be inadequate or all such claims may not be covered by the insurance. In addition, our commercial insurance policies must be renewed annually. We cannot assure you that pending or future lawsuits will not be successful or, if successful, will not exceed the limits of our available insurance coverage or that this coverage will continue to be available at acceptable costs and on favorable terms. Liabilities in excess of our insurance coverage could have a material adverse effect on our financial condition and results of operations. In addition, claims, regardless of their merit or eventual outcome, also may have a material adverse effect on our business, financial condition, results of operations or the trading price of our shares.

WE MAY WRITE-OFF INTANGIBLE ASSETS, SUCH AS GOODWILL.

Our intangible assets, which consist primarily of goodwill, are subject to annual impairment testing. Under current accounting standards, goodwill is tested for impairment at an operating segment level, known as a reporting unit, on an annual basis using a two-step test. The first step compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, a second step is performed to determine the amount of any impairment loss. As circumstances after an acquisition can change, our reporting units may be subject to impairment losses. If we record an impairment loss related to our goodwill, it could have an adverse effect on our results of operations for the year in which the impairment is recorded.

FAILURE TO MANAGE OUR GROWTH EFFECTIVELY COULD HARM OUR BUSINESS AND RESULTS OF OPERATIONS.

We have experienced rapid growth in our business and number of employees in recent years. Continued rapid growth may impair our ability to provide our services efficiently and to manage our employees adequately. While we are taking steps to manage our growth, our future results of operations could be materially adversely affected if we are unable to do so effectively.

IF WE DO NOT MAINTAIN EFFECTIVE AND EFFICIENT INFORMATION SYSTEMS, OUR OPERATIONS MAY BE ADVERSELY AFFECTED.

Our operations are dependent on the continued and uninterrupted performance of our information systems. Failure to maintain reliable information systems or disruptions in our information systems could cause disruptions in our business operations, including: disruptions in billing and collections; loss of existing patients; difficulty in satisfying requirements of contractual obligations with hospitals; disputes with patients and payors; problems maintaining patient privacy and confidentiality, patient records, research and other databases; regulatory problems; decreased intra-company communications; increased administrative expenses; or other adverse consequences, any or all of which could have a material adverse effect on our operations.

OUR QUARTERLY RESULTS WILL LIKELY FLUCTUATE, WHICH COULD CAUSE THE VALUE OF OUR COMMON STOCK TO DECLINE.

We have recently experienced and expect to continue to experience quarterly fluctuations in our net patient service revenue and associated net income primarily due to volume and cost fluctuations. We have significant fixed operating costs, including physician costs, and, as a result, are highly dependent on patient volume and capacity utilization of our affiliated professional contractors to sustain profitability. Our results of operations for any quarter are not necessarily indicative of results of operations for any future period or full year. As a result, our results of operations may vary significantly from period to period. In addition, there recently has been significant volatility in the market price of securities of health care companies that in many cases we believe has been unrelated to the operating performance of these companies. We believe that certain factors, such as legislative and regulatory developments, quarterly fluctuations in our actual or anticipated results of operations, lower revenues or earnings than those anticipated by securities analysts, and general economic and financial market conditions, could cause the price of our common stock to fluctuate substantially.

IF WE ARE UNABLE TO COLLECT REIMBURSEMENTS FROM THIRD PARTY PAYORS IN A TIMELY MANNER FOR OUR SERVICES, OUR REVENUES COULD BE ADVERSELY AFFECTED.

A significant portion of our revenue is derived from reimbursements from various third party payors, including government-sponsored health care plans, private insurance plans and managed care plans, for services provided by our affiliated professional contractors. In addition to being responsible for submitting reimbursement requests to third party payors, we are also responsible for the collection of reimbursements and assume the financial risks relating to uncollectible and delayed reimbursements by third party payors. In the current health care reimbursement environment, we may continue to experience difficulties in collecting reimbursements to which we are entitled for services that we have provided from third party payors, including Medicaid programs and managed care payors. As part of their efforts to manage costs in an increasingly competitive environment, third party payors may seek to reduce, by appeal or otherwise, or delay reimbursements to which we are entitled for services that we have provided. If we are not reimbursed in a timely manner for the services that we provide, our revenues could be adversely affected.

IF OUR PHYSICIANS LOSE THE ABILITY TO PROVIDE SERVICES IN ANY HOSPITALS OR ADMINISTRATIVE FEES PAID TO US BY HOSPITALS ARE REDUCED, OUR REVENUES COULD BE ADVERSELY AFFECTED.

Our net patient service revenue is derived primarily from fee-for-service billings for patient care provided by our physicians and from administrative fees. Our arrangements with certain hospitals provide that if the hospital does not generate sufficient patient volume it will pay us administrative fees in order to guarantee that we receive a specified minimum revenue level. We also receive administrative fees from hospitals for administrative services performed by physicians providing medical director services at the hospital. Administrative fees accounted for 7%, 6% and 5% of our net patient service revenue during 2000, 2001 and 2002, respectively. Our contractual arrangements with hospitals generally are for periods of one to three years and may be terminated by us or the hospital upon 90 days written notice. While we have in most cases been able to renew these arrangements, hospitals may cancel or not renew our arrangements, or may not pay us administrative fees in the future. To the extent that our arrangements with hospitals are canceled, or are not renewed or replaced with other arrangements with at least as favorable terms, our financial condition and results of operations could be adversely affected. In addition, to the extent our physicians lose their privileges in hospitals or hospitals enter into arrangements with other physicians, our revenues could be adversely affected.

OUR INDUSTRY IS ALREADY COMPETITIVE AND INCREASED COMPETITION COULD ADVERSELY AFFECT OUR REVENUES.

The health care industry is competitive and subject to continual changes in the method in which services are provided and the manner in which health care providers are selected and compensated. We believe that private and public reforms in the health care industry emphasizing cost containment and accountability will result in an increasing shift of neonatal and perinatal care from highly fragmented, individual or small practice providers to larger physician groups. Companies in other health care industry segments, such as managers of other hospital-based specialties or currently expanding large physician group practices, some of which have greater financial and other resources than we do, may become competitors in providing neonatal, perinatal and pediatric intensive care physician services to hospitals. We may not be able to continue to compete effectively in this industry, additional competitors may enter our markets, and this increased competition may have an adverse effect on our revenues.

WE ARE DEPENDENT UPON OUR KEY MANAGEMENT PERSONNEL FOR OUR FUTURE SUCCESS.

Our success depends to a significant extent on the continued contributions of our key management, business development, sales and marketing personnel, including our Chief Executive Officer and co-founder, Dr. Roger Medel, for our management and implementation of our growth strategy. The loss of Dr. Medel or other key personnel could have a material adverse effect on our financial condition, results of operations and plans for future development.

THE SUBSTANTIAL NUMBER OF OUR SHARES THAT WILL BE ELIGIBLE FOR SALE IN THE NEAR FUTURE COULD CAUSE THE MARKET PRICE OF OUR COMMON STOCK TO FALL.

As of December 31, 2002, there were 25,313,371 shares of our common stock outstanding, all of which are freely tradable without restriction, except that 45,769 shares, which are owned by certain of our officers, directors and affiliates, may be sold publicly at any time subject to the volume and other restrictions under Rule 144 of the Securities Act of 1933.

As of December 31, 2002, there were also:

- 5,363,664 shares of our common stock reserved for issuance under options issued pursuant to our amended and restated stock option plan, of which options for an aggregate of 4,240,869 shares of common stock were issued and outstanding and options for an aggregate of 2,304,027 shares of common stock were exercisable;

- 228,363 shares of our common stock reserved for issuance under presently exercisable stock options issued by Magella, which options were exercisable into shares of our common stock at the time of our acquisition of Magella;

- 373,169 shares of our common stock reserved for issuance under our employee stock purchase plans; and

- 30,449 shares of our common stock reserved for issuance under convertible notes issued by Magella which were convertible into shares of our common stock at the time of our acquisition of Magella.

All shares of common stock issued upon the exercise of stock options or under our employee stock purchase plans will be freely tradable, subject to the volume trading limitations under Rule 144 of the Securities Act of 1933 in respect of shares acquired by our affiliates. Our stock options entitle holders to purchase shares of our common stock at prices which may be less than the current market price per share of our common stock. Holders of these options will usually exercise or convert them at a time when the market price of our common stock is greater than their exercise price. Accordingly, the exercise of these options and subsequent sale of our common stock could reduce the market price for our common stock and result in dilution to our then shareholders.

IF WE ENTER INTO A SIGNIFICANT NUMBER OF SHARED-RISK CAPITATED ARRANGEMENTS WITH CERTAIN PAYORS, SUCH ARRANGEMENTS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The evolving managed care environment has created substantial cost containment pressures for the health care industry. Our contracts with payors and managed care organizations traditionally have been fee-for-service arrangements. At December 31, 2002, we had relatively few "capitated" and "case rate" arrangements with payors. Under capitated payment arrangements, we receive a flat monthly fee based on the number of individuals covered by that particular insurance plan regardless of the number of patients or types of treatment we provide, and under a case rate payment arrangement, we receive a fixed dollar amount per patient. If we enter into similar arrangements in the future, our financial condition and results of operations may be adversely affected if we are unable to manage our risks under these arrangements.

OUR CURRENTLY OUTSTANDING PREFERRED STOCK PURCHASE RIGHTS AND OUR ABILITY TO ISSUE SHARES OF PREFERRED STOCK COULD DETER TAKEOVER ATTEMPTS.

We have adopted a preferred share purchase rights plan. Under this plan, each outstanding share of Pediatrix common stock includes a preferred stock purchase right that entitles the registered holder, subject to the terms of our rights agreement, to purchase from Pediatrix a one-thousandth of a share of our series A junior participating preferred stock at an exercise price of $150 per right for each share of common stock held by the holder. In addition, if a person or group of persons acquires beneficial ownership of 15% or more of the outstanding shares of Pediatrix common stock, each right will permit its holder to purchase $300 worth of Pediatrix common stock for $150. The rights are attached to all certificates representing outstanding shares of Pediatrix common stock, and no separate rights certificates have been distributed. Some provisions contained in the rights agreement may have the effect of discouraging a third party from making an acquisition proposal for Pediatrix and may thereby inhibit a change in control. For example, such provisions may deter tender offers for shares of common stock which offers may be attractive to shareholders, or deter purchases of large blocks of common stock, thereby limiting the opportunity for shareholders to receive a premium for their shares of common stock or exchangeable shares over the then-prevailing market prices. In addition, our amended and restated articles of incorporation authorize our board of directors to issue up to 1,000,000 shares of undesignated preferred stock and to determine the powers, preferences and rights of these shares, without shareholder approval. This preferred stock could be issued with voting, liquidation, dividend and other rights superior to those of the holders of common stock. The issuance of preferred stock under some circumstances could have the effect of delaying, deferring or preventing a change in control.

PROVISIONS OF OUR BYLAWS COULD DETER TAKEOVER ATTEMPTS WHICH MAY RESULT IN A LOWER MARKET PRICE FOR OUR COMMON STOCK.

Provisions in our amended and restated bylaws, including those relating to calling shareholder meetings, taking action by written consent and other matters, could render it more difficult or discourage an attempt to obtain control of Pediatrix through a proxy contest or consent solicitation. These provisions could limit the price that some investors might be willing to pay in the future for our shares of common stock.

FORWARD-LOOKING STATEMENTS MAY PROVE INACCURATE.

Certain information included or incorporated by reference in this Annual Report on Form 10-K may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, that address activities, events or developments that Pediatrix intends, expects, projects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are characterized by terminology such as "believe", "hope", "may", "anticipate", "should", "intend", "plan", "will", "expect", "estimate", "project", "positioned", "strategy" and similar expressions. These statements are based on assumptions and assessments made by Pediatrix's 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. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results, developments and business decisions to differ materially from those contemplated or expressed by such forward-looking statements. Forward-looking statements speak only as of the date the statements were made. We assume no duty to update any forward-looking statements. Some of the factors that may cause actual results, developments and business decisions to differ materially from those contemplated by such forward-looking statements include but may not be limited to the risk factors discussed above.

ITEM 2. PROPERTIES

We lease our corporate office located in Sunrise, Florida (approximately 80,000 square feet). During 2002, we leased space in other facilities in various states for our business and medical offices, storage space, and temporary housing of medical staff, with aggregate annual rents of approximately $6,097,000. See Note 9 to our Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

On June 6, 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 and our business practices generally. On February 5, 2003, we received additional information requests from the FTC in the form of a Subpoena and Civil Investigative Demand. Pursuant to these requests, the FTC has requested documents and information relating to the acquisition and our business practices in certain markets. We are cooperating fully with the FTC, but at this time cannot predict the outcome of the investigation and whether it will have a material adverse effect on our business, financial condition, results of operations or the trading price of our shares.

In April 2002, we entered into a settlement agreement with the Colorado Department of Health Care Policy and Financing resolving the State of Colorado's Medicaid investigation of the Company. We had received requests in April 1999, and in one case a subpoena, from state and federal investigators in Arizona, Florida and Colorado for information related to our billing practices for services reimbursed by the Medicaid programs in those states and by the TRICARE program for military dependents. The Arizona and Florida Medicaid investigations were closed in 2000 after we entered into settlement agreements with those states. The TRICARE investigation is active and ongoing and this matter, along with the Florida, Arizona and Colorado matters, has prompted inquiries by Medicaid officials in other states. We believe that additional audits, inquiries and investigations from government agencies will continue to occur in the ordinary course of our business. We cannot predict whether any such audits, inquiries or investigations will have a material adverse effect on our business, financial condition, results of operations or the trading price of our shares.

On May 3, 2002, the United States District Court for the Southern District of Florida entered an Order and Final Judgment approving the settlement of the class action litigation filed against us and certain of our officers in February 1999 relating to alleged violations of securities laws. Under the terms of the settlement, the plaintiffs' claim was dismissed with prejudice in exchange for a cash payment of $12.0 million, which was covered by insurance policies.

During the ordinary course of business, we have become a party to pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice. Although these actions and proceedings are generally expected to be covered by insurance, there can be no assurance that our medical malpractice insurance coverage will be adequate to cover liabilities arising out of medical malpractice claims where the outcomes of such claims are unfavorable to us. We believe, based upon our review of these pending matters, that the outcome of such legal actions and proceedings will not have a material adverse effect on our business, financial condition, results of operations or the trading price of our shares.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fiscal quarter ended December 31, 2002.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Pediatrix common stock is traded on the New York Stock Exchange (the "NYSE") under the symbol "PDX". The following table sets forth, for the periods indicated, the high and low sales prices for the common stock as reported on the NYSE.

	HIGH	LOW
2001		
First Quarter	$ 25.82	$ 18.98
Second Quarter	33.20	21.30
Third Quarter	41.15	30.56
Fourth Quarter	43.17	24.00
2002		
First Quarter	$ 42.44	$ 33.00
Second Quarter	48.60	22.74
Third Quarter	34.75	21.70
Fourth Quarter	42.00	31.25

As of March 20, 2003, there were approximately 106 holders of record of the 23,768,342 outstanding shares of Pediatrix common stock. This share figure reflects the repurchase of approximately 1.6 million shares of Pediatrix common stock during the first quarter of 2003 under the Company's previously announced share repurchase program. The closing sales price for Pediatrix common stock on March 20, 2003 was $28.85 per share.

We did not declare or pay any cash dividends on our common stock in 2001 or 2002, nor do we currently intend to declare or pay any cash dividends in the future, but instead we intend to retain all earnings for the operation and expansion of our business. The payment of any future dividends will be at the discretion of the Board of Directors and will depend upon, among other things, future earnings, results of operations, capital requirements, our general financial condition, general business conditions and contractual restrictions on payment of dividends, if any, as well as such other factors as the Board of Directors may deem relevant. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data set forth as of and for each of the five years in the period ended December 31, 2002, have been derived from the Consolidated Financial Statements, which statements have been audited. The following data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Consolidated Financial Statements and the notes thereto included elsewhere herein.

	YEARS ENDED DECEMBER 31,				
	1998	1999	2000	2001	2002
	(IN THOUSANDS, EXCEPT PER SHARE AND OTHER OPERATING DATA)				
CONSOLIDATED INCOME STATEMENT DATA:					
Net patient service revenue(1)(2)	$ 185,422	$ 227,042	$ 243,075	$ 354,595	$ 465,481
Operating expenses:					
Practice salaries and benefits	98,504	126,972	148,476	197,581	263,165
Practice supplies and other operating expenses	5,679	9,341	11,022	14,297	15,791
General and administrative expenses	23,615	33,655	44,895	62,841	68,315
Depreciation and amortization	8,673	12,068	13,810	21,437	6,135
Total operating expenses	136,471	182,036	218,203	296,156	353,406
Income from operations	48,951	45,006	24,872	58,439	112,075
Investment income	564	296	358	309	818
Interest expense	(1,013)	(2,697)	(3,771)	(2,538)	(1,156)
Income before income taxes	48,502	42,605	21,459	56,210	111,737
Income tax provision	19,403	17,567	10,473	25,782	42,961
Net income	$ 29,099	$ 25,038	$ 10,986	$ 30,428	$ 68,776
PER SHARE DATA:					
Net income per common share:					
Basic	$ 1.91	$ 1.61	$ 0.70	$ 1.44	$ 2.68
Diluted	$ 1.82	$ 1.58	$ 0.68	$ 1.36	$ 2.58
Weighted average shares used in computing net income per common share:					
Basic	15,248	15,513	15,760	21,159	25,622
Diluted	15,987	15,860	16,053	22,478	26,629

	YEARS ENDED DECEMBER 31,				
	1998	1999	2000	2001	2002
	(IN THOUSANDS, EXCEPT PER SHARE AND OTHER OPERATING DATA)				
OTHER OPERATING DATA:					
Number of physicians at end of period	350	434	452	588	622
Number of births	268,923	337,480	381,602	450,205	501,832
NICU admissions	27,911	33,942	39,272	48,186	55,121
NICU patient days	450,225	548,064	637,957	804,293	983,733
CONSOLIDATED BALANCE SHEET DATA:					
Cash and cash equivalents	$ 650	$ 825	$ 3,075	$ 27,557	$ 73,195
Working capital (deficit)(3)	14,915	(16,352)	2,108	34,381	79,555
Total assets	270,658	334,790	324,734	573,099	648,679
Total liabilities	63,265	105,903	82,834	94,247	100,681
Borrowings under line of credit	7,850	48,393	23,500	--	--
Long-term debt and capital lease obligations, including current maturities	2,550	2,350	--	3,206	2,489
Shareholders' equity	201,051	228,887	241,900	478,852	547,998

(1) The Company adds new physician practices as a result of acquisitions and internal marketing activities. The increase in net patient service revenue related to acquisitions (including our acquisition of Magella) and internal marketing activities was approximately $50.0 million, $49.5 million, $13.9 million, $86.6 million and $69.8 million for the years ended December 31, 1998, 1999, 2000, 2001 and 2002, respectively.

(2) Net patient service revenue for the year ended December 31, 2000, included a charge of $6.5 million, which was recorded during the quarter ended June 30, 2000, to increase the allowance for contractual adjustments and uncollectible accounts. This charge was attributable to management's assessment of accounts receivable, which was revised to reflect the changes occurring in the Company's collection rates.

(3) At December 31, 1999 and 2000, the balance outstanding on the Company's line of credit was classified as a current liability.

ITEM 7. 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 Consolidated Financial Statements and related notes thereto appearing elsewhere in this Annual Report on Form 10-K. The operating results for the periods presented were not significantly affected by inflation.

GENERAL

Pediatrix is the nation's leading provider of neonatal physician services to hospital-based NICUs. In addition, we are the nation's leading provider of perinatal physician services. We were founded in 1979 by Drs. Roger Medel and Gregory Melnick. Since obtaining our first hospital contract in 1980, we have grown by increasing revenues at existing units ("same unit growth") and by adding new units. We also provide physician services to hospital-based PICUs and pediatrics departments in hospitals.

On May 15, 2001, we acquired Magella Healthcare Corporation ("Magella") in a merger transaction (the "Merger") for a total purchase price of $173.6 million, which we paid in shares of our common stock, plus assumed liabilities of approximately $59.2 million. The Merger has been accounted for by Pediatrix as an acquisition under the purchase method of accounting for business combinations. This discussion and the Consolidated Financial Statements included elsewhere in this report reflect our operations and financial results, which from May 15, 2001, includes the business and operations of Magella.

On June 6, 2002, we received a written request from the FTC to submit information on a voluntary basis in connection with an investigation of issues of competition related to the Merger and our business practices generally. On February 5, 2003, we received additional information requests from the FTC in the form of a Subpoena and Civil Investigative Demand. Pursuant to these requests, the FTC has requested documents and information relating to the Merger and our business practices in certain markets.

We completed six acquisitions and added three NICUs through our internal marketing activities during 2002. We have developed integrated regional networks, including both neonatology and perinatology, in the Austin, Dallas-Fort Worth, Denver-Colorado Springs, Des Moines, Kansas City, Las Vegas, Phoenix-Tucson, San Antonio, San Jose, Seattle-Tacoma and Southern California metropolitan areas and intend to develop additional regional and statewide networks.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reporting of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Note 2 to our Consolidated Financial Statements provides a summary of our significant accounting policies, which are all in accordance with generally accepted accounting policies in the United States of America. Certain of our accounting policies are critical to understanding our financial statements because their application places significant demands on management's judgment, with financial reporting results relying on estimates of matters that are inherently uncertain.

We believe that the critical accounting policies described in the following paragraphs affect the most significant estimates and assumptions used in the preparation of our Consolidated Financial Statements. For all these policies, we caution that future events rarely develop exactly as estimated, and the best estimates routinely require adjustment. On an ongoing basis, we evaluate our estimates and assumptions, including those discussed below.

Revenue Recoginition

We recognize patient service revenue at the time services are provided by our affiliated physicians. Patient service revenue is presented net of an estimated provision for contractual adjustments and uncollectibles. Management estimates allowances for contractual adjustments and uncollectibles on accounts receivable based on historical and other factors, including an evaluation of expected adjustments and delinquency rates, past adjustment and collection experience in relation to amounts billed, current economic conditions and other relevant information. Contractual adjustments result from the difference between the physician rates for services performed and reimbursements by government-sponsored health care programs and insurance companies for such services. The evaluation of these factors involves complex, subjective judgments. Changes in these factors may significantly impact our Consolidated Financial Statements.

Professional Liability Coverage

We maintain professional liability coverage, which indemnifies us and our health care professionals on a claims-made basis with a portion of self insurance deductible. We record a liability for self-insured deductibles and an estimate of liabilities for claims incurred but not reported based on an actuarial valuation which is based on historical loss patterns. An inherent assumption in such estimates is that historical loss patterns can be used to predict future patterns with reasonable accuracy. Because many factors can affect past and future loss patterns, the effect of changes in such factors on our estimates must be carefully evaluated. The evaluation of these factors involves complex, subjective judgments. Insurance liabilities are necessarily based on estimates including claim frequency and severity as well as health care inflation, and actual results may vary significantly from such estimates. Liabilities for claims incurred but not reported are not discounted.

Goodwill

We record acquired assets and liabilities at their respective fair values under the purchase method of accounting, recording to goodwill the excess of cost over the fair value of the net assets acquired, including identifiable intangible assets. Goodwill related to acquisitions completed prior to July 1, 2001 was amortized through the year ended December 31, 2001 on a straight-line basis over 25 years. In accordance with the provisions of Statement of Financial Accounting Standards, No. 142 ("FAS 142"), "Goodwill and Other Intangible Assets," no goodwill amortization was recorded for the year ended December 31, 2002. See Note 2 to our Consolidated Financial Statements.

Under current accounting standards, goodwill is tested for impairment at an operating segment level, known as a reporting unit, on at least an annual basis using a two-step test. The first step compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, a second step is performed to determine the amount of any impairment loss. We use income and market-based valuation approaches to determine the fair value of our reporting units. These approaches focus on discounted cash flows and market multiples to derive the fair value of a reporting unit. We also consider the economic outlook for the healthcare services industry and various other factors during the testing process, including hospital and physician contract changes, local market developments, changes in third-party payments, and other publicly-available information.

Other Matters

Other significant accounting policies, not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of our Consolidated Financial Statements. For example, our Consolidated Financial Statements are presented on a consolidated basis with our affiliated professional associations, corporations and partnerships (the "PA Contractors") because we or one of our subsidiaries have entered into management agreements with our PA Contractors meeting the criteria set forth in the Emerging Issues Task Force Issue 97-2 for a "controlling financial interest". Our management agreements are further described in Note 2 to our Consolidated Financial Statements. Such policies often require difficult judgments on complex matters that are often subject to multiple sources of authoritative guidance and such matters are among topics currently under reexamination by accounting standards setters and regulators. Although no specific conclusions reached by these standard setters appear likely to cause a material change in our accounting policies, outcomes cannot be predicted with confidence.

GEOGRAPHIC COVERAGE AND PAYOR MIX

During 2000, 2001 and 2002, approximately 55%, 59% and 62%, respectively, of our net patient service revenue was generated by operations in our five largest states. Over those same periods, our operations in Texas accounted for approximately 18%, 29% and 33% of our net patient service revenue. Adverse changes or conditions affecting these markets, such as health care reforms, changes in laws and regulations, reduced Medicaid reimbursements, reductions in the supply of trained physicians and government investigations, may have an adverse effect on our operations. We continue to seek to diversify the geographic scope of our operations, primarily through acquisitions of physician group practices.

We bill payors for services provided by physicians based upon rates for the specific services provided. The rates are substantially the same for all patients in a particular geographic area regardless of the party responsible for paying the bill. We determine our net patient service revenue based upon the difference between our gross fees for services and our ultimate collections from payors. Net patient service revenue differs from gross fees due to (i) Medicaid reimbursements at government-established rates, (ii) managed care payments at contracted rates, (iii) various reimbursement plans and negotiated reimbursements from other third parties, and (iv) discounted and uncollectible accounts of private pay patients.

Our payor mix is comprised of government (principally Medicaid), contracted managed care, other third parties and private pay patients. We benefit from the fact that most of the medical services provided at the NICU or PICU are classified as emergency services, a category typically classified as a covered service by managed care payors. In addition, we benefit when patients are covered by Medicaid, despite Medicaid's lower reimbursement rates as compared with other payors, because typically these patients would not otherwise be able to pay for services due to lack of insurance coverage. However, a significant increase in the government, managed care or capitated components of our payor mix at the expense of other third party payors, as we have experienced in the last few years, could result in reduced reimbursement rates and, in the absence of increased patient volume, could have a material adverse effect on our financial condition and results of operations. The following is a summary of our payor mix, expressed as a percentage of net patient service revenue, exclusive of administrative fees, for the periods indicated.

	YEARS ENDED DECEMBER 31,		
	2000	2001	2002
Government	21%	23%	23%
Contracted managed care	48%	49%	55%
Other third parties	30%	27%	21%
Private pay patients	1%	1%	1%
	100%	100%	100%

The payor mix shown above is not necessarily representative of the amount of services provided to patients covered under these plans. For example, services provided to patients covered under government programs represented approximately 46% of our total gross patient service revenue but only 23% of our net patient service revenue during 2002.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain information related to our operations expressed as a percentage of our net patient service revenue (patient billings net of contractual adjustments and uncollectibles, and including administrative fees):

	YEARS ENDED DECEMBER 31,		
	2000	2001	2002
Net patient service revenue	100%	100%	100%
Operating expenses:			
Practice salaries and benefits	61.1	55.7	56.5
Practice supplies and other operating expenses	4.5	4.1	3.4
General and administrative expenses	18.5	17.7	14.7
Depreciation and amortization	5.7	6.0	1.3
Total operating expenses	89.8	83.5	75.9
Income from operations	10.2	16.5	24.1
Other expense, net	(1.4)	(0.6)	(.1)
Income before income taxes	8.8	15.9	24.0
Income tax provision	4.3	7.3	9.2
Net income	4.5%	8.6%	14.8%

YEAR ENDED DECEMBER 31, 2002 AS COMPARED TO YEAR ENDED DECEMBER 31, 2001

Our net patient service revenue increased $110.9 million, or 31.3%, to $465.5 million for the year ended December 31, 2002, as compared with $354.6 million for the same period in 2001. Of this $110.9 million increase, $69.8 million, or 62.9%, was attributable to new units at which we provide services as a result of acquisitions, including units that were obtained in the Merger. Same unit patient service revenue increased $41.1 million, or 15.6%, for the year ended December 31, 2002. The increase in same unit net patient service revenue was primarily the result of: (i) price increases implemented on June 1, 2001; (ii) improved collection rates; (iii) an increase in patient days of 5.5%; (iv) improved managed care contracting; and (v) increased revenue from new services provided in existing practices. 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 $65.6 million, or 33.2%, to $263.2 million for the year ended December 31, 2002, as compared with $197.6 million for the same period in 2001. The increase was attributable to: (i) costs associated with new physicians and other clinical staff as a result of the Merger and to support new unit growth and volume growth at existing units; (ii) an increase in incentive compensation as a result of same unit growth and operational improvements at the physician practice level; and (iii) an increase in professional liability insurance costs.

Practice supplies and other operating expenses increased $1.5 million, or 10.5%, to $15.8 million for the year ended December 31, 2002, as compared with $14.3 million for the same period in 2001. The increase was attributable to new units at which we provide services as a result of acquisitions, including units that were obtained in the Merger.

General and administrative expenses include all salaries, benefits, supplies and other operating expenses not specifically related to the day-to-day operations of our physician group practices, including billing and collection functions. General and administrative expenses increased $5.5 million, or 8.7%, to $68.3 million for the year ended December 31, 2002, as compared to $62.8 million for the same period in 2001. This $5.5 million increase was primarily due to: (i) increased costs for services provided to the practices acquired in the Merger; (ii) settlement costs of $1.3 million related to the Colorado Medicaid investigation; (iii) salaries and benefits incurred as we continued our efforts to regionalize our operations; (iv) information services for the development and support of clinical and operational systems; (v) legal fees related to the Colorado Medicaid investigation, which was concluded in April 2002, and the Federal Trade Commission investigation initiated in June 2002; and (vi) increased insurance costs.

Earnings before interest expense, investment income, income tax provision, and depreciation and amortization ("EBITDA") increased by $38.3 million, or 48.0%, to $118.2 million for the year ended December 31, 2002, as compared with $79.9 million for the same period in 2001. EBITDA margin increased by 2.9 percentage points to 25.4%, as compared with 22.5% for the same period in 2001. The EBITDA margin improvement was primarily due to the decline in general and administrative expenses as a percentage of net patient service revenue.

EBITDA and EBITDA margin are non-GAAP measures of profitability and operating efficiency widely used by investors to evaluate and compare operating performance among different companies excluding the impact of certain non-cash charges (depreciation and amortization). Depending on capital investments, depreciation and amortization can vary significantly among different companies and industries. We believe that EBITDA and EBITDA margin provide investors with valuable measures to compare our operating performance with the operating performance of other companies. EBITDA and EBITDA margin for the years ended December 31, 2002 and 2001 can be reconciled to income from operations and operating margin as shown below. Margins are expressed as a percentage of net patient service revenue (amounts in thousands):

	2002		2001	
	AMOUNT $	MARGIN %	AMOUNT $	MARGIN %
Income from operations	$112,075	24.1%	$ 58,439	16.5%
Add: Depreciation and amortization	6,135	1.3%	21,437	6.0%
EBITDA	$118,210	25.4%	$ 79,876	22.5%

Depreciation and amortization expense decreased by $15.3 million, or 71.4%, to $6.1 million for the year ended December 31, 2002, as compared with $21.4 million for the same period in 2001, primarily as a result of the adoption of the nonamortization provisions of FAS 142 as discussed in Note 2 of the Consolidated Financial Statements. Excluding the impact of goodwill amortization for the year ended December 31, 2001, depreciation and amortization increased $1.3 million, primarily due to fixed assets acquired in the Merger.

Income from operations increased $53.7 million, or 91.8%, to $112.1 million for the year ended December 31, 2002, as compared with $58.4 million for the same period in 2001. Our operating margin increased 7.6 percentage points to 24.1% for the year ended December 31, 2002, as compared to 16.5% for the same period in 2001. Excluding the impact of goodwill amortization for the year ended December 31, 2001, income from operations increased $37.1 million and operating margin increased by 2.9 percentage points.

We recorded net interest expense of $338,000 for the year ended December 31, 2002, as compared with net interest expense of $2.2 million for the same period in 2001. The decrease in interest expense in 2002 was primarily the result of having no outstanding balance under our line of credit during the year ended December 31, 2002. Interest expense for the year ended December 31, 2002 consisted primarily of commitment fees and amortized deferred debt costs associated with our line of credit.

Our effective income tax rates were 38.4% and 45.9% for the years ended December 31, 2002 and 2001, respectively. The decrease in the tax rate for the year ended December 31, 2002 was primarily due to the elimination of non-deductible goodwill amortization as required under the provisions of FAS 142. See Note 2 of the Consolidated Financial Statements.

Net income increased to $68.8 million for the year ended December 31, 2002, as compared to $30.4 million for the same period in 2001. Excluding the impact of goodwill amortization expense for the year ended December 31, 2001, net income increased by $24.4 million.

Diluted net income per common and common equivalent share was $2.58 on weighted average shares of 26.6 million for the year ended December 31, 2002, as compared to $1.36 on the weighted average shares of 22.5 million for same period in 2001. Excluding the impact of goodwill amortization expense, diluted net income per common and common equivalent share would have been $1.98 for the year ended December 31, 2001. The significant net increase in weighted average shares outstanding was due to: (i) the shares issued in connection with the Merger which were outstanding from May 15, 2001; (ii) the dilutive effect of convertible subordinated notes and stock options assumed in the Merger; and (iii) an increase in outstanding shares due to stock option exercises and shares issued under our employee stock purchase plans, offset by a decrease in shares due to the weighted average impact of approximately 1.7 million shares purchased in 2002 under the Company's common stock repurchase program.

YEAR ENDED DECEMBER 31, 2001 AS COMPARED TO YEAR ENDED DECEMBER 31, 2000

Our net patient service revenue increased $111.5 million, or 45.9%, to $354.6 million for the year ended December 31, 2001, as compared with $243.1 million for the same period in 2000. Net patient service revenue for the year ended December 31, 2000 included a charge of $6.5 million, which was recorded during the quarter ended June 30, 2000, to increase the allowance for contractual adjustments and uncollectible accounts. Of this $111.5 million increase, approximately $86.5 million, or 77.6%, was attributable to new units at which we provide services as a result of acquisitions, including units that were obtained in the Merger. Same unit patient service revenue increased approximately $25.0 million, or 10.6%, for the year ended December 31, 2001. The increase in same unit net patient service revenue was primarily the result of: (i) improved collection performance due to process changes implemented in the last 18 months including the regionalization of billing and collection functions; (ii) improved managed care contracting; (iii) price increases implemented after the completion of the Merger; (iv) higher acuity level of patient services billed; and (v) volume increases. Same units are those units at which we provided services for all of 2001 and 2000.

Practice salaries and benefits increased $49.1 million, or 33.1%, to $197.6 million for the year ended December 31, 2001, as compared with $148.5 million for the same period in 2000. The increase was attributable to new physicians and other clinical staff as a result of the Merger and to support new unit growth and volume growth at existing units.

Practice supplies and other operating expenses increased $3.3 million, or 29.7%, to $14.3 million for the year ended December 31, 2001, as compared with $11.0 million for the same period in 2000. Of this $3.3 million increase, approximately $1.6 million was attributable to increased costs related to the Merger. The remaining approximately $1.7 million was primarily attributable to: (i) increases in rent for medical equipment and medical office space; and (ii) an increase in medical supplies related to the growth in our national hearing screen program.

General and administrative expenses include all salaries and benefits and supplies and other operating expenses not specifically related to the day-to-day operations of our physician group practices. General and administrative expenses increased $17.9 million, or 40.0%, to $62.8 million for the year ended December 31, 2001, as compared to $44.9 million for the same period in 2000. Of this $17.9 million increase, approximately $8.2 million, or 45.8%, was attributable to increased costs for services provided to the practices acquired in the Merger. Approximately $9.7 million, or 54.2%, was primarily due to an increase in costs for: (i) salaries and benefits for billing and collections personnel as we continued our regionalization of billing and collection functions; (ii) legal fees related to government investigations and our class action lawsuit; (iii) rent and other operating expenses related to the expansion of our regional billing and collection offices; and (iv) information services for the development and support of clinical and operational systems.

EBITDA increased by $41.2 million, or 106.5%, to $79.9 million for the year ended December 31, 2001, as compared with $38.7 million for the same period in 2000. EBITDA margin increased by 6.6 percentage points to 22.5%, as compared with 15.9% for the same period in 2000. The EBITDA margin improvement was primarily due to the decline in practice salaries and benefits as a percentage of net patient service revenue.

EBITDA and EBITDA margin are non-GAAP measures of profitability and operating efficiency widely used by investors to evaluate and compare operating performance among different companies excluding the impact of non-cash charges (depreciation and amortization). Depending on capital investments, depreciation and amortization can vary significantly among different companies and industries. We believe that EBITDA and EBITDA margin provide investors with valuable measures to compare our operating performance with the operating performance of other companies. EBITDA and EBITDA margin for the years ended December 31, 2001 and 2000 can be reconciled to income from operations and operating margin as shown below. Margins are expressed as a percentage of net patient service revenue (amounts in thousands):

	2001		2000	
	AMOUNT $	MARGIN %	AMOUNT $	MARGIN %
Income from operations	$58,439	16.5%	$24,872	10.2%
Add: Depreciation and amortization	21,437	6.0%	13,810	5.7%
EBITDA	$79,876	22.5%	$38,682	15.9%

Depreciation and amortization expense increased by approximately $7.6 million, or 55.2%, to $21.4 million for the year ended December 31, 2001, as compared with $13.8 million for the same period in 2000, primarily as a result of depreciation on fixed asset additions and amortization of goodwill in connection with the Merger and other acquisitions.

Income from operations increased approximately $33.5 million, or 135.0%, to approximately $58.4 million for the year ended December 31, 2001, as compared with $24.9 million for the same period in 2000. Our operating margin increased 6.3 percentage points to 16.5% for the year ended December 31, 2001, as compared to 10.2% for the same period in 2000.

We recorded net interest expense of approximately $2.2 million for the year ended December 31, 2001, as compared with net interest expense of approximately $3.4 million for the same period in 2000. The decrease in interest expense in 2001 was primarily the result of a net reduction in the average balance outstanding under our line of credit.

Our effective income tax rate was approximately 45.9% and 48.8% for the years ended December 31, 2001 and 2000, respectively. The decrease in the tax rate for the year ended December 31, 2001 was primarily due to the reduction of non-deductible amounts associated with goodwill as a percentage of our pretax income.

Net income increased to approximately $30.4 million for the year ended December 31, 2001, as compared to $11.0 million for the same period in 2000.

Diluted net income per common and common equivalent share was $1.36 on weighted average shares of 22.5 million for the year ended December 31, 2001, as compared to $0.68 on the weighted average shares of 16.1 million for the year ended December 31, 2000. The significant increase in the weighted average shares outstanding is due to: (i) the shares issued in the Merger which were outstanding from May 15, 2001; (ii) the dilutive effect of convertible notes and stock options assumed in the Merger; and (iii) an increase in our stock price.

QUARTERLY RESULTS

The following table presents certain unaudited quarterly financial data for each of the quarters in the years ended December 31, 2001 and 2002. This information has been prepared on the same basis as the Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K and includes, in our opinion, all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the quarterly results when read in conjunction with the Consolidated Financial Statements and the notes thereto. We have historically experienced and expect to continue to experience quarterly fluctuations in net patient service revenue and net income. These fluctuations are primarily due to the following factors:

- A significant number of employees, including physicians, at Pediatrix exceed the level of taxable wages for social security during the first and second quarter of the year. As a result, we incur a significantly higher payroll tax burden during those quarters.

- A lower number of calendar days are present in the first and second quarters of the year as compared to the remainder of the year. Since we provide services in the NICU on a 24 hour basis, 365 days a year, any reduction in service days will have a corresponding reduction in net patient service revenue.

Additionally, the quarterly results may be impacted by the timing of acquisitions and any fluctuation in patient volume. As a result, the operating results for any quarter are not necessarily indicative of results for any future period or for the full year.

	2001 CALENDAR QUARTERS				2002 CALENDAR QUARTERS			
	FIRST	SECOND	THIRD	FOURTH	FIRST	SECOND	THIRD	FOURTH
	(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)							
Net patient service revenue	$ 63,920	$ 83,137	$ 102,784	$ 104,754	$ 107,282	$ 116,223	$ 122,502	$ 119,474
Operating expenses:								
Practice salaries and benefits	38,249	46,424	55,899	57,010	62,534	65,183	68,232	67,216
Practice supplies and other operating expenses	2,897	3,564	3,898	3,937	3,489	3,954	3,997	4,351
General and administrative expenses	12,191	15,577	16,896	18,177	17,572	17,740	17,483	15,520
Depreciation and amortization	3,578	5,103	6,344	6,412	1,465	1,463	1,520	1,687
Total operating expenses	56,915	70,668	83,037	85,536	85,060	88,340	91,232	88,774
Income from operations	7,005	12,469	19,747	19,218	22,222	27,883	31,270	30,700
Other expense, net	(452)	(715)	(695)	(367)	(130)	(65)	(67)	(76)
Income before income taxes	6,553	11,754	19,052	18,851	22,092	27,818	31,203	30,624
Income tax provision	2,949	5,397	8,733	8,703	8,616	10,851	11,857	11,637
Net income	$ 3,604	$ 6,357	$ 10,319	$ 10,148	$ 13,476	$ 16,967	$ 19,346	$ 18,987
Per share data:								
Net income per common and common equivalent share:								
Basic	$ .23	$ .32	$ .43	$ .41	$ .53	$ .64	$ .75	$ .75
Diluted	$ .22	$ .30	$ .40	$ .39	$ .51	$ .62	$ .73	$ .73

The significant increase in net patient service revenue beginning in the second quarter of 2001 is primarily related to the Merger which was completed on May 15, 2001.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2002, we had approximately $73.2 million of cash and cash equivalents on hand as compared to $27.6 million at December 31, 2001. Additionally, we had working capital of approximately $79.6 million at December 31, 2002, an increase of $45.2 million from working capital of $34.4 million at December 31, 2001.

We generated cash flow from operating activities of $36.1 million, $90.3 million and $97.8 million for the years ended December 31, 2000, 2001 and 2002, respectively. In 2001, we realized a significant increase in cash provided from operating activities as compared to 2000. This increase was due to a reduction in days' revenue outstanding combined with the impact of the Merger on cash provided from operating activities. We continued to realize an increase in cash provided from operating activities in 2002 as compared to 2001 due to improved year over year operating results.

In July 2002, our Board of Directors approved a common stock repurchase program (the "Repurchase Program"). Under this Repurchase Program, we were authorized to repurchase up to $50 million of our common stock in the open market, subject to market conditions and trading restrictions. In November 2002, our Board of Directors authorized the repurchase of an additional $50 million of common stock. In 2002, we repurchased approximately 1.7 million shares at a cost of approximately $50 million. Subsequent to December 31, 2002 and through March 20, 2003, the Company purchased an additional 1.6 million shares of its common stock at a cost of approximately $50 million.

We generated proceeds from the exercise of stock options and the issuance of common stock under our stock purchase plans of approximately $1.6 million, $15.8 million and $32.1 million for the years ended December 31, 2000, 2001 and 2002, respectively.

During 2002, we completed the acquisition of six physician practices, using approximately $25.4 million in cash. These acquisitions were funded principally by cash generated from operations.

The Company currently has a line of credit in the amount of $100 million which matures August 14, 2004 (the "Line of Credit"). At our option, the Line of Credit bears interest at either the prime rate or the Eurodollar rate plus an applicable margin rate ranging from 2% to 2.75%. The Line of Credit is collateralized by substantially all of our assets. We are subject to certain covenants and restrictions specified in our Line of Credit, including covenants that require us to maintain a minimum level of net worth and earnings and a restriction on the payment of dividends and certain other distributions, as specified therein. At December 31, 2002, we are in compliance with such financial covenants. We had no outstanding balance under our Line of Credit at December 31, 2001 and 2002.

We maintain professional liability coverage that indemnifies us and our health care professionals on a claims-made basis for losses incurred related to medical malpractice litigation with a portion of self insurance retention. We record a liability for self-insured deductibles and an estimated liability for malpractice claims incurred but not reported based on an actuarial valuation. Our current professional liability insurance policy expires May 1, 2003, and we are currently reviewing our coverage options, which may include a higher self-insured retention and an increase in premium costs. There can be no assurance that we will be able to obtain substantially similar coverage for professional liability insurance upon expiration or that such coverage will be available at acceptable costs or on favorable terms.

The health care services industry is highly regulated. We believe that billing audits, inquiries and investigations by government agencies will continue to occur in the ordinary course of our business and in the health care services industry in general. In response to such billing audits, inquiries and investigations, our affiliated physicians could take an unduly conservative approach to coding for their services by, for example, increasing the use of non-critical care codes, for which our reimbursement is lower than critical care codes, as they may have in the past. If they were to do this, we could receive lower reimbursements from third party payors which could have a material adverse effect on our liquidity and capital resources.

Our annual capital expenditures have typically been for computer hardware and software and for furniture, equipment and improvements at the corporate headquarters and our regional offices. During the year ended December 31, 2002, capital expenditures amounted to approximately $8.0 million.

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, finance our required capital expenditures and meet our contractual obligations for at least the next 12 months.

CONTRACTUAL OBLIGATIONS

At December 31, 2002, we had certain obligations and commitments under promissory notes, capital leases and operating leases totaling approximately $29.7 million as follows:

	PAYMENTS DUE (IN THOUSANDS)			
OBLIGATION	LESS THAN ONE YEAR	ONE TO THREE YEARS	THREE TO FIVE YEARS	MORE THAN FIVE YEARS
Promissory notes	$ 350	$ 1,075	$ 767	$ --
Capital leases	154	130	13	--
Operating leases	14,099	7,746	4,856	557
	$14,603	$ 8,951	$ 5,636	$ 557

We have lease arrangements with two entities that may be considered variable interest entities under Financial Accounting Standards Board Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities - an interpretation of ARB No. 51," which was issued in January 2003. We are currently evaluating whether these two entites will be subject to consolidation under the provisions of FIN 46. As of December 31, 2002, property and equipment related to these entities was approximately $16.2 million with associated liabilities of the same amount.

ACCOUNTING MATTERS

In June 2001, the Financial Accounting Standards Board (the "Board") issued Statements of Financial Accounting Standards No. 141 ("FAS 141"), "Business Combinations," and No. 142 ("FAS 142"), "Goodwill and Other Intangible Assets." FAS 141 (i) requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001; (ii) establishes specific criteria for the initial recognition and measurement of intangible assets separately from goodwill; and (iii) requires unallocated negative goodwill be written off immediately. FAS 142 supersedes APB 17, "Intangible Assets," and is effective for fiscal years beginning after December 15, 2001. FAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. FAS 142 (i) prohibits the amortization of goodwill and indefinite-lived intangible assets, (ii) requires that goodwill and indefinite-lived intangible assets be tested annually for impairment, (iii) requires that reporting units be identified for the purpose of assessing potential future impairments of goodwill, and (iv) removes the forty-year limitation on the amortization period of intangible assets that have finite lives.

Effective July 1, 2001, we adopted the provisions of FAS 141 and the nonamortization provisions of FAS 142 pertaining to goodwill recorded in connection with acquisitions consummated subsequent to June 30, 2001.

Effective January 1, 2002, the remaining provisions of FAS 142 were fully adopted, which require the nonamortization of all goodwill and that goodwill be tested annually for impairment using a two-step process. We completed our testing for 2002 and did not identify any goodwill impairment as a result of the adoption of FAS 142.

Excluding the impact of amortization expense, net of tax, for the years ended December 31, 2000, 2001 and 2002, pro forma net income and net income per share is as follows:

	YEARS ENDED DECEMBER 31,		
	2000	2001	2002
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Net income, as reported	$ 10,986	$ 30,428	$ 68,776
Add: Goodwill amortization, net of tax	8,618	13,974	--
Pro forma net income	$ 19,604	$ 44,402	$ 68,776
Net income per share:			
As reported:			
Basic	$ 0.70	$ 1.44	$ 2.68
Diluted	$ 0.68	$ 1.36	$ 2.58
Pro forma:			
Basic	$ 1.24	$ 2.10	$ 2.68
Diluted	$ 1.22	$ 1.98	$ 2.58

Effective January 1, 2002, we adopted Statement of Financial Accounting Standards No. 144 ("FAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets." FAS 144 supersedes Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," and addresses (i) the recognition and measurement of the impairment of long-lived assets to be held and used, and (ii) the measurement of long-lived assets to be disposed of by sale. The adoption of FAS 144 did not have a material impact on our financial position or results of operations.

In 2002, we adopted Statement of Financial Accounting Standards No. 145 ("FAS 145"), "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement eliminates the FAS No. 4 requirement that gains and losses from extinguishments of debt be classified as an extraordinary item, and requires that such gains and losses be evaluated for extraordinary classification under the criteria of APB Opinion No. 30, "Reporting Results of Operations." This statement also amends FAS No. 13 to require that certain lease modifications that have economic effects that are similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. FAS 145 also makes various other technical corrections to existing pronouncements. The adoption of FAS 145 did not have a material effect on our financial position or results of operations.

In November 2002, FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness of Others an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34," was issued. This statement elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of the interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002 and the disclosure requirements are effective for financial statements ending after December 15, 2002. We are currently assessing the impact, if any, of the adoption of the initial recognition and initial measurement provisions.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148 ("FAS 148"), "Accounting for Stock-Based Compensation - Transition and Disclosure." This Statement amends Statement of Financial Accounting Standards No. 123 ("FAS 123"), "Accounting for Stock-Based Compensation," to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based compensation. It also amends the disclosure provisions of FAS 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, FAS 148 amends APB Opinion No. 28, "Interim Financial Reporting," to require disclosure about those effects in interim financial information. As of December 31, 2002, we have adopted the disclosure provisions of FAS 148, but have not voluntarily changed to the fair value based method of accounting for stock based compensation.

In January 2003, FIN 46, "Consolidation of Variable Interest Entities - an interpretation of ARB No. 51," was issued. FIN 46 addresses consolidation by business enterprises of variable interest entities. The provisions of FIN 46 apply immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. We have lease arrangements with two entities that may be considered variable interest entities under FIN 46. We are currently evaluating whether these two entities will be subject to consolidation under the provisions of FIN 46. As of December 31, 2002, property and equipment related to these entities was approximately $16.2 million with associated liabilities of the same amount. See "Contractual Obligations."

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Line of Credit and certain operating lease agreements are subject to market risk and interest rate changes. The total amount available under our Line of Credit is $100 million. At our option, the Line of Credit bears interest at either the prime rate or the Eurodollar rate plus an applicable margin rate ranging from 2% to 2.75%. The leases bear interest at LIBOR-based variable rates. There was no outstanding principal balance on the Line of Credit at December 31, 2002. The outstanding balances related to the operating leases totaled approximately $16.2 million at December 31, 2002. Considering the total outstanding balances under these instruments at December 31, 2002 of approximately $16.2 million, a 1% change in interest rates would result in an impact to pre-tax earnings of approximately $162,000 per year.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following Consolidated Financial Statements of the Company are included in this Annual Report on Form 10-K on the pages set forth below:

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
Pediatrix Medical Group, Inc.

In our opinion, the consolidated financial statements listed in the index appearing under Item 8 on page 36 present fairly, in all material respects, the financial position of Pediatrix Medical Group, Inc. and subsidiaries (the "Company") at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule appearing under Item 15(a)(2) on page 60 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002.

PricewaterhouseCoopers LLP

Fort Lauderdale, Florida
February 5, 2003

PEDIATRIX MEDICAL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2001	DECEMBER 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 27,557	$ 73,195
Accounts receivable, net	63,851	75,356
Prepaid expenses	3,110	6,083
Deferred income taxes	5,515	5,515
Other assets	12,925	1,206
Total current assets	112,958	161,355
Property and equipment, net	14,836	16,820
Goodwill	438,694	463,032
Other assets, net	6,611	7,472
Total assets	$573,099	$ 648,679
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 73,203	$ 76,400
Current portion of long-term debt and capital lease obligations	531	504
Income taxes payable	4,843	4,896
Total current liabilities	78,577	81,800
Long-term debt and capital lease obligations	2,675	1,985
Deferred income taxes	9,846	13,290
Deferred compensation	3,149	3,606
Total liabilities	94,247	100,681
Commitments and contingencies		
Shareholders' equity:		
Preferred stock; $.01 par value, 1,000,000 shares authorized, none issued and outstanding at December 31, 2001 and 2002	--	--
Common stock; $.01 par value, 50,000,000 shares authorized at December 31, 2001 and 2002, 24,961,103 and 27,004,938 shares issued at December 31, 2001 and 2002, respectively	250	270
Additional paid-in capital	341,973	392,321
Treasury stock, at cost, 1,691,567 shares	--	(49,998)
Retained earnings	136,629	205,405
Total shareholders' equity	478,852	547,998
Total liabilities and shareholders' equity	$573,099	$ 648,679

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

PEDIATRIX MEDICAL GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)

	YEARS ENDED DECEMBER 31,		
	2000	2001	2002
Net patient service revenue	$ 243,075	$ 354,595	$ 465,481
Operating expenses:			
Practice salaries and benefits	148,476	197,581	263,165
Practice supplies and other operating expenses	11,022	14,297	15,791
General and administrative expenses	44,895	62,841	68,315
Depreciation and amortization	13,810	21,437	6,135
Total operating expenses	218,203	296,156	353,406
Income from operations	24,872	58,439	112,075
Investment income	358	309	818
Interest expense	(3,771)	(2,538)	(1,156)
Income before income taxes	21,459	56,210	111,737
Income tax provision	10,473	25,782	42,961
Net income	$ 10,986	$ 30,428	$ 68,776
Per share data:			
Net income per common and common equivalent share:			
Basic	$ .70	$ 1.44	$ 2.68
Diluted	$ .68	$ 1.36	$ 2.58
Weighted average shares used in computing net income per common and common equivalent share:			
Basic	15,760	21,159	25,622
Diluted	16,053	22,478	26,629

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

PEDIATRIX MEDICAL GROUP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS)

	COMMON STOCK					
	NUMBER OF SHARES	AMOUNT	ADDITIONAL PAID IN CAPITAL	TREASURY STOCK	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 1999	15,625	$156	$133,516	$ --	$ 95,215	$ 228,887
Net income	--	--	--	--	10,986	10,986
Common stock issued under Employee stock option and stock purchase plans	253	3	1,582	--	--	1,585
Tax benefit related to employee stock options and stock purchase plans	--	--	442	--	--	442
Balance at December 31, 2000	15,878	159	135,540	--	106,201	241,900
Net income	--	--	--	--	30,428	30,428
Common stock issued in connection with the Merger	7,293	73	152,417	--	--	152,490
Fair value of stock options assumed in the Merger	--	--	18,932	--	--	18,932
Common stock issued under employee stock option and stock purchase plans	1,253	13	15,820	--	--	15,833
Common stock issued for convertible notes	537	5	11,867	--	--	11,872
Tax benefit related to employee stock options and stock purchase plans	--	--	7,397	--	--	7,397
Balance at December 31, 2001	24,961	250	341,973	--	136,629	478,852
Net income	--	--	--	--	68,776	68,776
Common stock issued under employee stock option and stock purchase plans	2,044	20	32,091	--	--	32,111
Common stock issued for convertible notes	--	--	128	--	--	128
Treasury stock	--	--	--	(49,998)	--	(49,998)
Tax benefit related to employee stock options and stock purchase plans	--	--	18,129	--	--	18,129
Balance at December 31, 2002	27,005	$270	$392,321	$(49,998)	$205,405	$ 547,998

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

PEDIATRIX MEDICAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,		
	2000	2001	2002
Cash flows from operating activities:			
Net income	$ 10,986	$ 30,428	$ 68,776
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	13,810	21,437	6,135
Deferred income taxes	(1,340)	(14,725)	1,497
Loss on sale of assets	15	--	--
Changes in assets and liabilities:			
Accounts receivable	8,593	17,676	(11,505)
Prepaid expenses and other assets	(237)	(1,765)	(3,254)
Other assets	(73)	5,436	565
Accounts payable and accrued expenses	779	22,992	15,504
Income taxes payable	3,616	8,857	20,124
Net cash provided from operating activities	36,149	90,336	97,842
Cash flows from investing activities:			
Physician group acquisition payments	(9,033)	(23,734)	(25,735)
Purchase of property and equipment	(4,346)	(7,088)	(7,993)
Proceeds from sale of assets	5,138	--	--
Net cash used in investing activities	(8,241)	(30,822)	(33,728)
Cash flows from financing activities:			
Payments on line of credit, net	(24,893)	(46,900)	--
Payments to refinance line of credit	--	(1,404)	--
Payments on long-term debt, capital lease obligations and note payable	(2,350)	(2,561)	(589)
Proceeds from issuance of common stock	1,585	15,833	32,111
Purchase of treasury stock	--	--	(49,998)
Net cash used in financing activities	(25,658)	(35,032)	(18,476)
Net increase in cash and cash equivalents	2,250	24,482	45,638
Cash and cash equivalents at beginning of year	825	3,075	27,557
Cash and cash equivalents at end of year	$ 3,075	$ 27,557	$ 73,195
Supplemental disclosure of cash flow information:			
Cash paid for:			
Interest	$ 3,892	$ 2,642	$ 1,164
Income taxes	$ 8,135	$ 23,426	$ 20,216

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

1. GENERAL:

The principal business activity of Pediatrix Medical Group, Inc. ("Pediatrix" or the "Company") is to provide neonatal and perinatal physician services. The Company provides services in 30 states and Puerto Rico. Contractual arrangements with hospitals include: a) fee-for-service contracts whereby hospitals agree, in exchange for the Company's services, to authorize the Company and its health care professionals to bill and collect the charges for medical services rendered by the Company's health care professionals; and b) administrative fees whereby the Company is assured a minimum revenue level.

On May 15, 2001, the Company acquired Magella Healthcare Corporation ("Magella") pursuant to a merger transaction (the "Merger"). The total purchase price was approximately $173.6 million, which the Company paid for in shares of its common stock, plus assumed liabilities of approximately $59.2 million. The Company also completed six acquisitions and added three neonatal intensive care units ("NICUs") through internal marketing activities during 2002. The Company has accounted for the Merger and the acquisitions using the purchase method of accounting. The results of operations of Magella and the acquired practices have been included in the Consolidated Financial Statements from the dates of acquisition. See also Note 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF PRESENTATION

The financial statements include all the accounts of the Company and its subsidiaries combined with the accounts of the professional associations (the "PA Contractors") with which the Company currently has specific management arrangements. The financial statements of the PA Contractors are consolidated with the Company because the Company has established a controlling financial interest in the operations of the PA Contractors, as defined in Emerging Issues Task Force Issue 97-2, through contractual management arrangements. The PA Contractors' agreements with the Company provide that the term of the arrangements are permanent, subject only to termination by the Company, except in the case of gross negligence, fraud or bankruptcy of the Company. The Company has the right to receive income, both as ongoing fees and as proceeds from the sale of its interest in the PA Contractors, in an amount that fluctuates based on the performance of the PA Contractors and the change in the fair value thereof. The Company has exclusive responsibility for the provision of all non-medical services required for the day-to-day operation and management of the PA Contractors and establishes the guidelines for the employment and compensation of the physicians. In addition, the agreements provide that the Company has the right, but not the obligation, to purchase, or to designate a person(s) to purchase, the stock of the PA Contractors for a nominal amount. Separately, in its sole discretion, the Company has the right to assign its interest in the agreements. All significant intercompany and interaffiliate accounts and transactions have been eliminated.

ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board (the "Board") issued Statements of Financial Accounting Standards No. 141 ("FAS 141"), "Business Combinations," and No. 142 ("FAS 142"), "Goodwill and Other Intangible Assets." FAS 141 (i) requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001; (ii) establishes specific criteria for the initial recognition and measurement of intangible assets separately from goodwill; and (iii) requires unallocated negative goodwill be written off immediately. FAS 142 supersedes APB 17, "Intangible Assets," and is effective for fiscal years beginning after December 15, 2001. FAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. FAS 142 (i) prohibits the amortization of goodwill and indefinite-lived intangible assets, (ii) requires that goodwill and indefinite-lived intangible assets be tested at least annually for impairment, (iii) requires that reporting units be identified for the purpose of assessing potential future impairments of goodwill, and (iv) removes the forty-year limitation on the amortization period of intangible assets that have finite lives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Effective July 1, 2001, the Company adopted the provisions of FAS 141 and the nonamortization provisions of FAS 142 pertaining to goodwill recorded in connection with acquisitions consummated subsequent to June 30, 2001.

Effective January 1, 2002, the remaining provisions of FAS 142 were fully adopted, which require the nonamortization of all goodwill and that goodwill be tested annually for impairment using a two-step process. The Company completed its testing for 2002 and did not identify any goodwill impairment as a result of the adoption of FAS 142.

Excluding the impact of amortization expense, net of tax, for the years ended December 31, 2000, 2001 and 2002, pro forma net income and net income per share is as follows:

	YEARS ENDED DECEMBER 31,		
	2000	2001	2002
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Net income, as reported	$ 10,986	$ 30,428	$ 68,776
Add: Goodwill amortization, net of tax	8,618	13,974	--
Pro forma net income	$ 19,604	$ 44,402	$ 68,776
Net income per share:			
As reported:			
Basic	$ 0.70	$ 1.44	$ 2.68
Diluted	$ 0.68	$ 1.36	$ 2.58
Pro forma:			
Basic	$ 1.24	$ 2.10	$ 2.68
Diluted	$ 1.22	$ 1.98	$ 2.58

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144 ("FAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets." FAS 144 supersedes Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," and addresses (i) the recognition and measurement of the impairment of long-lived assets to be held and used, and (ii) the measurement of long-lived assets to be disposed of by sale. The adoption of FAS 144 did not have a material impact on the Company's financial position or results of operations.

In 2002, the Company adopted Statement of Financial Accounting Standards No. 145 ("FAS 145"), "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This statement eliminates the FAS No. 4 requirement that gains and losses from extinguishments of debt be classified as an extraordinary item, and requires that such gains and losses be evaluated for extraordinary classification under the criteria of APB Opinion No. 30, "Reporting Results of Operations." This statement also amends FAS No. 13 to require that certain lease modifications that have economic effects that are similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. FAS 145 also makes various other technical corrections to existing pronouncements. The adoption of FAS 145 did not have a material effect on the Company's financial position or results of operations.

In November 2002, FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34," was issued. This statement elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

It also clarifies that a guarantor is required to recognize, at the inception of a guarantee a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of the interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002 and the disclosure requirements are effective for financial statements ending after December 15, 2002. The Company is currently assessing the impact, if any, of the adoption of the initial recognition and initial measurement provisions.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148 ("FAS 148"), "Accounting for Stock-Based Compensation - Transition and Disclosure." This Statement amends Statement of Financial Accounting Standards No. 123 ("FAS 123"), "Accounting for Stock-Based Compensation," to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based compensation. It also amends the disclosure provisions of FAS 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, FAS 148 amends APB Opinion No. 28, "Interim Financial Reporting," to require disclosure about those effects in interim financial information. As of December 31, 2002, the Company has adopted the disclosure provisions of FAS 148, but has not changed to the fair value based method of accounting for stock based compensation.

In January 2003, FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities - an interpretation of ARB No. 51," was issued. FIN 46 addresses consolidation by business enterprises of variable interest entities. The provisions of FIN 46 apply immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The Company has lease arrangements with two entities that may be considered variable interest entities under FIN 46. The Company is currently evaluating whether these two entities will be subject to consolidation under the provisions of FIN 46. As of December 31, 2002, property and equipment related to these entities was approximately $16.2 million with associated liabilities of the same amount.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include the estimated allowance for contractual adjustments and uncollectibles on accounts receivable, and the estimated liabilities for claims incurred but not reported related to the Company's professional liability insurance. Actual results could differ from those estimates.

SEGMENT REPORTING

The Company operates in a single operating segment for purposes of presenting financial information and evaluating performance. As such, the accompanying Consolidated Financial Statements present financial information in a format that is consistent with the financial information used by management for internal use.

REVENUE RECOGNITION

Patient service revenue is recognized at the time services are provided by the Company's employed physicians. Patient service revenue is presented net of an estimated provision for contractual adjustments

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

and uncollectibles which is charged to operations based on the Company's evaluation of expected collections resulting from an analysis of current and past due accounts, past collection experience in relation to amounts billed and other relevant information. Contractual adjustments result from the difference between the physician rates for services performed and reimbursements by government-sponsored health care programs and insurance companies for such services.

Accounts receivable are primarily amounts due under fee-for-service contracts from third party payors, such as insurance companies, self-insured employers and patients and government-sponsored health care programs geographically dispersed throughout the United States and its territories. Concentration of credit risk relating to accounts receivable is limited by number, diversity and geographic dispersion of the business units managed by the Company, as well as by the large number of patients and payors, including the various governmental agencies in the states in which the Company provides services. Receivables from government agencies made up approximately 22% and 19% of net accounts receivable at December 31, 2001 and 2002, respectively.

CASH EQUIVALENTS

Cash equivalents are defined as all highly liquid financial instruments with maturities of 90 days or less from the date of purchase. The Company's cash equivalents consist principally of demand deposits, amounts on deposit in money market accounts, mutual funds, and funds invested in overnight repurchase agreements. The Company holds a majority of its cash equivalents with one financial institution.

PROPERTY AND EQUIPMENT

Property and equipment are stated at original purchase cost. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives. Estimated useful lives are generally 40 years for buildings; three to seven years for medical equipment, computer equipment, software and furniture; and the lease period for leasehold improvements and capital leases. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in earnings.

GOODWILL AND OTHER INTANGIBLE ASSETS

Effective January 1, 2002, the Company fully adopted the provisions of FAS 142. In accordance with FAS 142, the Company records acquired assets and liabilities at their respective fair values under the purchase method of accounting. Goodwill represents the excess of cost over the fair value of the net assets acquired. Intangible assets with finite lives, physician and hospital agreements, are recognized apart from goodwill at the time of acquisition based on the contractual-legal and separability criteria established in FAS 141.

Goodwill is tested for impairment at an operating segment level, known as a reporting unit, on an annual basis using a two-step test. The first step compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, a second step is performed to determine the amount of any impairment loss. The Company completed its initial impairment analysis of goodwill as of January 1, 2002 and its annual impairment test in the third quarter of 2002 and determined that goodwill was not impaired. Goodwill related to acquisitions completed prior to July 1, 2001 was amortized through the year ended December 31, 2001 on a straight-line basis over 25 years. No goodwill amortization was recorded for the year ended December 31, 2002. Intangible assets with finite lives are amortized over a period of 5 to 20 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

LONG-LIVED ASSETS

The Company evaluates long-lived assets, including intangible assets subject to amortization, at least annually and records an impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be fully recoverable. The recoverability of such assets is measured by a comparison of the carrying value of the assets to the future undiscounted cash flows before interest charges to be generated by the assets. If long-lived assets are impaired, the impairment to be recognized is measured as the excess of the carrying value over the fair value. Long-lived assets to be disposed of are reported at the lower of the carrying value or fair value less disposal costs. The Company does not believe there are any indicators that would require an adjustment to such assets or their estimated periods of recovery at December 31, 2002 pursuant to the current accounting standards.

TREASURY STOCK

Effective with the beginning of the third quarter of 2002, the Company began repurchasing and holding shares of its common stock as treasury stock. The Company records its common stock repurchases at reacquisition cost using the cost method of accounting for treasury stock. Treasury stock is reported as a reduction in shareholders' equity.

PROFESSIONAL LIABILITY COVERAGE

The Company maintains professional liability coverage, which indemnifies the Company and its health care professionals on a claims-made basis with a portion of self insurance deductible. The Company records a liability for self-insured deductibles and an estimate of its liabilities for claims incurred but not reported based on an actuarial valuation. Liabilities for claims incurred but not reported are not discounted.

INCOME TAXES

The Company records deferred income taxes using the liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

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 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 or early disposition 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 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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

	YEARS ENDED DECEMBER 31,		
	2000	2001	2002
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Net income, as reported	$ 10,986	$ 30,428	$ 68,776
Deduct: Total stock-based employee compensation expense determined under fair value accounting rules, net of related tax effect	(6,970)	(9,338)	(10,451)
Pro forma net income	$ 4,016	$ 21,090	$ 58,325
Net income per share:			
As reported:			
Basic	$ 0.70	$ 1.44	$ 2.68
Diluted	$ 0.68	$ 1.36	$ 2.58
Pro forma:			
Basic	$ 0.25	$ 1.00	$ 2.28
Diluted	$ 0.25	$ 0.98	$ 2.25

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 with the following weighted average assumptions used for grants in 2000, 2001 and 2002: dividend yield of 0% for all years; expected volatility of 82%, 71% and 58%, respectively, and risk-free interest rates of 6.4%, 4.6% and 3.6%, respectively, for options with expected lives of five years (officers and physicians of the Company) and 6.3%, 3.9% and 3.1%, respectively, for options with expected lives of three years (all other employees of the Company).

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 convertible 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.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and accrued expenses approximate fair value due to the short maturities of these items. The carrying value of long-term debt and capital lease obligations approximates fair value.

RECLASSIFICATIONS

Certain reclassifications have been made to the prior years' financial statements to conform with the current year presentation.

3. ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUE:

Accounts receivable consists of the following:

	DECEMBER 31, 2001	DECEMBER 31, 2002
	(IN THOUSANDS)	
Gross accounts receivable	$ 193,165	$ 210,783
Allowance for contractual adjustments and uncollectibles	(129,314)	(135,427)
	$ 63,851	$ 75,356

Net patient service revenue consists of the following:

	YEARS ENDED DECEMBER 31, 2000	2001	2002
	(IN THOUSANDS)		
Gross patient service revenue ..	$ 545,758	$ 835,137	$ 1,071,475
Contractual adjustments and uncollectibles	(320,584)	(500,284)	(630,237)
Hospital contract administrative fees	17,901	19,742	24,243
	$ 243,075	$ 354,595	$ 465,481

During the second quarter of 2000, the Company recorded a charge of $6.5 million to increase the allowance for contractual adjustments and uncollectible accounts. This charge was attributable to management's assessment of accounts receivable, which was revised to reflect the changes occurring in the Company's collection rates that became known by the Company as a result of trends noted during the second quarter of 2000 and an increase in average aged accounts receivable. This decline in collection rates was the result of (i) an increased utilization of non-critical care codes on which the Company realizes a lower collection rate as a percentage of billed charges, (ii) a significant decline in the reimbursement from non-contracted payors, (iii) continued difficulties in the health care reimbursement environment, primarily with managed care payors, and (iv) disruption within our collection offices due to the billing inquiries and the transition to a regional collection structure.

During the second quarter of 2001, the Company increased prices for its patient services. As a result of the price increase, contractual adjustments and uncollectibles increased as a percentage of gross patient service revenue from 2000 to 2001. This increase is primarily due to government-sponsored health care programs, like Medicaid, that generally provide for reimbursements on a fee schedule basis rather than on a gross charge basis. Since the Company bills government-sponsored health care programs, like other payors, on a gross charge basis, the Company must increase the provision for contractual adjustments and uncollectibles by the amount of any price increase, resulting in a higher contractual adjustment percentage.

During 2002, the Company realized a decrease in contractual adjustments and uncollectibles as a percentage of gross revenue due to (i) the realization of improved reimbursement from non-contracted payors related to the 2001 price increase, (ii) improved contracting with managed care payors, and (iii) improved collections as a result of the Company's regional collection structure.

4. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	DECEMBER 31, 2001	DECEMBER 31, 2002
	(IN THOUSANDS)	
Building	$ 33	$ 33
Equipment and furniture	27,013	34,442
	27,046	34,475
Accumulated depreciation	(12,210)	(17,655)
	$ 14,836	$ 16,820

At December 31, 2002, property and equipment includes medical equipment held under capital leases of approximately $1.3 million and related accumulated depreciation of approximately $1.0 million. The Company recorded depreciation expense of approximately $3,131,000, $4,857,000 and $6,009,000 for the years ended December 31, 2000, 2001 and 2002, respectively.

5. GOODWILL AND OTHER ASSETS:

Other assets consists of the following:

	DECEMBER 31, 2001	DECEMBER 31, 2002
	(IN THOUSANDS)	
Other intangible assets	$ --	$ 996
Other assets	6,611	6,476
	$ 6,611	$ 7,472

At December 31, 2002, other intangible assets consist of amortizable physician and hospital agreements with a gross carrying amount of approximately $1.1 million, less accumulated amortization of approximately $120,000. Amortization expense related to these agreements for the year ended December 31, 2002 was approximately $120,000. Amortization expense on these agreements for the years 2003 through 2006 is expected to be approximately $161,000, $145,000, $105,000, $94,000 and $78,000, respectively. The remaining weighted average amortization period of other intangible assets is 19 years.

On May 15, 2001, the Company acquired Magella pursuant to a merger transaction. The total purchase price for Magella was allocated as follows (in thousands):

(i)	Fair value of approximately 7.3 million shares of Pediatrix common stock issued for all outstanding common and nonvoting common stock of Magella..................................	$ 152,490
(ii)	Fair value of Magella options exercisable into approximately 1.4 million shares of Pediatrix common stock as a result of the Merger..	18,932
(iii)	Estimated direct transaction costs.................................	2,154
	Total purchase price...	$ 173,576

In connection with the Merger, the Company recorded assets totaling approximately $232.8 million, including approximately $206.5 million in goodwill, and assumed liabilities of approximately $59.2 million.

5. GOODWILL AND OTHER ASSETS, CONTINUED:

In addition to the Merger, the Company completed the acquisition of six physician group practices during 2001. Total consideration and related costs for the acquisitions approximated $19.8 million in cash and $1.8 million in notes payable. In connection with these transactions, the Company recorded goodwill in the amount of approximately $21.6 million.

During 2002, the Company completed the acquisition of six physician practices. Total consideration and related costs for these acquisitions approximated $25.4 million. In connection with these transactions, the Company recorded goodwill of approximately $24.3 million and other intangible assets consisting of physician and hospital agreements of approximately $1.1 million. The goodwill of approximately $24.3 million related to these acquisitions represents the only change in the carrying amount of goodwill for the year ended December 31, 2002.

The Company has accounted for the Merger and the other acquisitions completed during 2001 and 2002 using the purchase method of accounting. The results of operations of Magella and 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, Magella and the physician group practices acquired during 2001 and 2002 as if the transactions had occurred on January 1, 2001:

	YEARS ENDED DECEMBER 31,	
	2001	2002
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Net patient service revenue	$ 407,599	$ 469,783
Net income	36,145	68,787
Net income per share:		
Basic	$ 1.52	$ 2.68
Diluted	$ 1.41	$ 2.58

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.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of the following:

	DECEMBER 31,	
	2001	2002
	(IN THOUSANDS)	
Accounts payable	$12,625	$10,131
Accrued salaries and bonuses	21,811	35,377
Accrued payroll taxes and benefits	7,374	10,364
Accrued professional liability coverage	11,504	14,607
Accrued securities litigation settlement (Note 9)	12,000	--
Other accrued expenses	7,889	5,921
	$73,203	$76,400

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES, CONTINUED:

In connection with the accrued liability for the settlement of the class action securities litigation at December 31, 2001, as noted above, the Company recorded a receivable from the Company's insurance carrier in the amount of $12 million. Such amount is included in other current assets at December 31, 2001.

7. LINE OF CREDIT, LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS:

During 2001, the Company refinanced its $75 million line of credit, which matured on September 30, 2001, with an amended and restated credit agreement (the "Line of Credit") in the amount of $100 million. At the Company's option, the Line of Credit, which matures on August 14, 2004, bears interest at either the prime rate or the Eurodollar rate plus an applicable margin rate ranging from 2% to 2.75%. The Line of Credit is collateralized by substantially all the Company's assets. The Company is subject to certain covenants and restrictions under the Line of Credit, including covenants that require the Company to maintain a minimum level of net worth and earnings and a restriction on the payment of dividends and certain other distributions, as specified therein. At December 31, 2002, the Company was in compliance with such financial covenants. The Company had no outstanding balance under the Line of Credit at December 31, 2001 and 2002.

During 2001, the Company issued a $1.8 million promissory note in connection with an acquisition. The promissory note accrues interest at 5.5%, requires principle payments in five equal installments of $350,000, and matures on September 7, 2006.

In connection with the Merger, the Company assumed certain convertible subordinated notes issued by Magella which, as a result of the Merger became exercisable into our common stock ("Convertible Notes"). During 2001 and 2002, approximately $11.9 million and $128,000 of Convertible Notes were converted into approximately 537,000 and 5,000 shares, respectively, of the Company's common stock at the option of the holders. At December 31, 2002, the total outstanding principal on the Convertible Notes is approximately $792,000. The remaining outstanding Convertible Notes are convertible into approximately 30,000 shares of the Company's common stock at the option of the holder at a price of $26.00 per share, bear interest at rates ranging from 5% to 6%, require varying periodic interest payments and are due at various dates ranging from January 2005 through January 2006. The Company has the right to force the holders of the Convertible Notes to convert the notes into Pediatrix common stock when the share price of the Company's common stock trades at a specified price ranging from $32.50 to $39.00 over a 90 day trading period.

Long-term debt, including capital lease obligations, consists of the following:

	DECEMBER 31, 2002 (IN THOUSANDS)
Convertible Notes	$ 792
Promissory note in connection with acquisition.....................	1,400
Capital lease obligations	297
Total	2,489
Current portion	(504)
Long-term debt and capital lease obligations	$ 1,985

The amounts due under the terms of the Company's long-term debt, including capital lease obligations, at December 31, 2002 are as follows: 2003 - $504,000; 2004 - $443,000; 2005 - $762,000; and 2006 - $780,000.

8. INCOME TAXES:

The components of the income tax provision (benefit) are as follows:

	DECEMBER 31,		
	2000	2001	2002
		(IN THOUSANDS)	
Federal:			
Current	$ 11,463	$ 29,970	$35,924
Deferred	(1,265)	(4,709)	3,192
	10,198	25,261	39,116
State:			
Current	350	1,083	3,593
Deferred	(75)	(562)	252
	275	521	3,845
Total	$ 10,473	$ 25,782	$42,961

The Company files its tax return on a consolidated basis with its subsidiaries. The remaining PA Contractors file tax returns on an individual basis.

The effective tax rate on income was 48.8%, 45.9% and 38.4% for the years ended December 31, 2000, 2001 and 2002, respectively. The decrease in the tax rate for the year ended December 31, 2002 was primarily due to the elimination of non-deductible goodwill amortization as required under current accounting standards. The differences between the effective rate and the U.S. federal income tax statutory rate are as follows:

	DECEMBER 31,		
	2000	2001	2002
		(IN THOUSANDS)	
Tax at statutory rate	$ 7,511	$19,674	$39,108
State income tax, net of federal benefit	179	865	2,499
Amortization	2,347	3,939	237
Other, net	436	1,304	1,117
Income tax provision	$10,473	$25,782	$42,961

8. INCOME TAXES, CONTINUED:

The significant components of deferred income tax assets and liabilities are as follows:

	DECEMBER 31, 2001			DECEMBER 31, 2002		
	TOTAL	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT
	(IN THOUSANDS)					
Allowance for uncollectible accounts	$ 5,275	$ 5,275	$ --	$ 5,708	$ 5,708	$ --
Net operating loss carryforward	2,727	2,727	--	3,321	3,321	--
Amortization	1,417	--	1,417	1,170	--	1,170
Operating reserves and accruals	10,167	10,167	--	10,273	10,273	--
Other	1,986	1,249	737	2,394	368	2,026
Total deferred tax assets	21,572	19,418	2,154	22,866	19,670	3,196
Accrual to cash adjustment	(13,903)	(13,903)	--	(14,123)	(14,123)	--
Property and equipment	(3,912)	--	(3,912)	(3,775)	--	(3,775)
Amortization	(8,088)	--	(8,088)	(12,712)	--	(12,712)
Other	--	--	--	(31)	(32)	1
Total deferred tax liabilities	(25,903)	(13,903)	(12,000)	(30,641)	(14,155)	(16,486)
Net deferred tax liability	$ (4,331)	$ 5,515	$ (9,846)	$ (7,775)	$ 5,515	$(13,290)

The income tax benefit related to the exercise of stock options and the purchase of shares under the Company's non-qualified employee stock purchase plan reduces taxes currently payable and is credited to additional paid-in capital. Such amounts totaled approximately $442,000, $7,397,000 and $18,129,000 for the years ended December 31, 2000, 2001, and 2002, respectively.

The Company has net operating loss carryforwards for federal and state tax purposes totaling approximately $6,668,000, $7,175,000 and $8,697,000 at December 31, 2000, 2001 and 2002, respectively, expiring at various times commencing in 2009.

9. COMMITMENTS AND CONTINGENCIES:

On June 6, 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 2001 acquisition of Magella and our business practices generally. On February 5, 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 FTC has requested documents and information relating to the acquisition and the Company's business practices in certain markets. The Company is cooperating fully with the FTC, but at this time cannot predict the outcome of the investigation and whether it will have a material adverse effect on the Company's business, financial condition, results of operations or the trading price of the Company's shares.

In April 2002, the Company entered into a settlement agreement with the Colorado Department of Health Care Policy and Financing resolving the State of Colorado's Medicaid investigation of the Company. The Company had received requests in April 1999, and in one case a subpoena, from state and federal investigators in Arizona, Florida and Colorado for information related to its billing practices for services reimbursed by the Medicaid programs in those states and by the TRICARE program for military dependents. The Arizona and Florida Medicaid investigations were closed in 2000 after the Company entered into settlement agreements with those states. The TRICARE investigation is active and ongoing, and this matter, along with the Florida, Arizona and Colorado matters, has prompted inquiries by Medicaid officials in other states. The Company believes that additional audits, inquiries and investigations from government agencies will continue to occur in the ordinary course of its business. The Company cannot predict whether any such audits, inquiries or investigations will have a material adverse effect on the

9. COMMITMENTS AND CONTINGENCIES, CONTINUED:

Company's business, financial condition, results of operations or the trading price of the Company's shares.

On May 3, 2002, the United States District Court for the Southern District of Florida entered an Order and Final Judgment approving the settlement of the class action litigation filed against the Company and certain of its officers in February 1999 relating to alleged violations of securities laws. Under the terms of the settlement, the plaintiffs' claim was dismissed with prejudice in exchange for a cash payment of $12.0 million, which was covered by insurance policies.

During the ordinary course of its business, the Company has become a party to pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice. Although these actions and proceedings are generally expected to be covered by insurance, there can be no assurance that the Company's medical malpractice insurance coverage will be adequate to cover liabilities arising out of medical malpractice claims where the outcomes of such claims are unfavorable to the Company. The Company believes, based upon its review of these pending matters, that the outcome of such legal actions and proceedings will not have a material adverse effect on its business, financial condition, results of operations or the trading price of the Company's shares.

The Company maintains a lease agreement for its corporate office in Sunrise, Florida. The Company is required to maintain certain financial covenants pursuant to the corporate office lease agreement, including a requirement that the Company maintain a minimum level of net worth. At December 31, 2002, the Company was in compliance with such financial covenants. In addition, the Company leases space for its regional offices and medical offices, storage space, temporary housing of medical staff, and an aircraft. The corporate office lease and the aircraft lease both bear interest at LIBOR-based variable rates. Rent expense for the years ended December 31, 2000, 2001 and 2002 was approximately $4,386,000, $6,149,000 and $6,898,000, respectively.

Future minimum lease payments under noncancelable operating leases as of December 31, 2002 are as follows (in thousands):

2003	$ 14,099
2004	4,405
2005	3,341
2006	4,037
2007	819
Thereafter	557
	$ 27,258

10. RETIREMENT PLAN:

During 2001, the Company maintained two qualified contributory savings plans as allowed under Section 401(k) of the Internal Revenue Code. The Company's primary plan (the "Plan") permits participant contributions and allows elective Company contributions based on each participant's contribution. Participants may defer up to 15% of their annual compensation by contributing amounts to the Plan.

The Company maintained a second plan as a result of the Merger (the "Magella Plan"). This second plan permitted participant contributions and allowed discretionary Company contributions based on each participant's contribution.

Effective January 1, 2002, the Magella Plan was merged into the Plan. The Company recorded an expense of $1,807,000, $3,765,000 and $5,728,000 for the years ended December 31, 2000, 2001, and 2002, respectively, related to the savings plans.

11. NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE:

The calculation of basic and diluted net income per share for the years ended December 31, 2000, 2001 and 2002 are as follows:

	YEARS ENDED DECEMBER 31,		
	2000	2001	2002
	(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)		
Basic:			
Net income applicable to common stock	$ 10,986	$ 30,428	$ 68,776
Weighted average number of common shares outstanding	15,760	21,159	25,622
Basic net income per share	$ .70	$ 1.44	$ 2.68
Diluted:			
Net income	$ 10,986	$ 30,428	$ 68,776
Interest expense on convertible subordinated debt, net of tax	--	115	28
Net income applicable to common stock	$ 10,986	$ 30,543	$ 68,804
Weighted average number of common shares outstanding	15,760	21,159	25,622
Weighted average number of dilutive common stock equivalents	293	1,165	975
Dilutive effect of convertible subordinated debt	--	154	32
Weighted average number of common and common equivalent shares outstanding	16,053	22,478	26,629
Diluted net income per share	$ .68	$ 1.36	$ 2.58

12. STOCK OPTION PLAN AND EMPLOYEE STOCK PURCHASE PLANS:

In 1993, the Company's Board of Directors authorized a stock option plan (the "Option Plan"). Under the Option Plan, options to purchase shares of common stock may be granted to certain employees at a price not less than the fair market value of the shares on the date of grant. The options must be exercised within 10 years from the date of grant. The stock options become exercisable on a pro rata basis over a three-year period from the date of grant. In 2001, the shareholders approved an amendment to increase the number of shares authorized to be issued under the Option Plan from 5,500,000 to 8,000,000. At December 31, 2002, 1,122,795 shares were available for future grants.

In connection with the Merger, the Company assumed stock options issued by Magella which options at the time of the Merger were exercisable to purchase approximately 1.4 million shares of Pediatrix common stock. Such options are included in the disclosures below.

12. STOCK OPTION PLAN AND EMPLOYEE STOCK PURCHASE PLANS, CONTINUED:

Pertinent information covering the Option Plan is as follows:

	NUMBER OF SHARES	OPTION PRICE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE	EXPIRATION DATE
Outstanding at December 31, 1999	3,930,443	$5.00-$61.00	$ 24.57	2004-2009
Granted	1,048,334	$6.75-$17.75	$ 9.45	
Canceled	(395,512)	$7.88-$61.00	$ 38.11	
Exercised	(27,834)	$5.00-$12.50	$ 8.06	
Outstanding at December 31, 2000	4,555,431	$5.00-$61.00	$ 20.28	2004-2010
Assumed in the Merger	1,375,894	$13.00-$24.05	$ 14.03	
Granted	1,373,000	$21.38-$36.30	$ 29.67	
Canceled	(464,704)	$7.06-$61.00	$ 25.94	
Exercised	(1,145,830)	$5.00-$36.13	$ 12.52	
Outstanding at December 31, 2001	5,693,791	$5.00-$61.00	$ 22.07	2004-2011
Granted	807,000	$25.00-$41.60	$ 33.22	
Canceled	(52,693)	$7.06-$39.13	$ 31.19	
Exercised	(1,978,866)	$5.00-$36.25	$ 15.21	
Outstanding at December 31, 2002	4,469,232	$5.00-$61.00	$ 27.03	2004-2012
Exercisable at:				
December 31, 2000	2,666,022	$5.00-$61.00	$ 23.87	
December 31, 2001	3,502,787	$5.00-$61.00	$ 21.48	
December 31, 2002	2,532,390	$5.00-$61.00	$ 26.39	

The weighted average grant date fair value for options granted in 2000, 2001 and 2002 was $9.45, $29.67 and $33.22, respectively. The weighted average grant date fair value for options assumed in the Merger in 2001 was $14.03.

Significant option groups outstanding at December 31, 2002 and related price and life information is as follows:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	OUTSTANDING AS OF 12/31/2002	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	EXERCISABLE AS OF 12/31/2002	WEIGHTED AVERAGE EXERCISE PRICE
$ 5.00	39,134	$5.00	1.1	39,134	$ 5.00
$ 6.10 - $12.20	575,714	$7.77	5.5	394,314	$ 8.05
$12.21 - $18.30	381,782	$14.15	5.7	280,308	$13.84
$18.31 - $24.40	741,886	$20.20	5.9	448,900	$19.63
$24.41 - $30.50	281,333	$28.02	6.8	174,668	$28.54
$30.51 - $36.60	1,741,216	$33.44	8.5	586,399	$34.22
$36.61 - $42.70	583,167	$39.12	5.0	483,667	$39.03
$42.71 - $48.80	50,000	$45.13	5.8	50,000	$45.13
$61.00	75,000	$61.00	6.1	75,000	$61.00
	4,469,232	$27.03	6.7	2,532,390	$26.39

12. STOCK OPTION PLAN AND EMPLOYEE STOCK PURCHASE PLANS, CONTINUED:

Under the Company's stock purchase plans (the "Stock Purchase Plans"), employees may purchase the Company's common stock at 85% of the average high and low sales price of the stock as reported as of commencement of the purchase period or as of the purchase date, whichever is lower. Under the Stock Purchase Plans, 224,716, 107,423 and 64,397 shares were issued during the years ended December 31, 2000, 2001 and 2002, respectively. At December 31, 2002, the Company has an additional 373,169 shares reserved under the Stock Purchase Plans.

13. COMMON STOCK REPURCHASE PROGRAM:

In July 2002, the Company's Board of Directors approved a common stock repurchase program (the "Repurchase Program"). Under this Repurchase Program, the Company was authorized to repurchase up to $50 million of its common stock in the open market, subject to market conditions and trading restrictions. In November 2002, the Company's Board of Directors authorized the repurchase of an additional $50 million of common stock. As of December 31, 2002, the Company had repurchased approximately 1.7 million shares at a cost of approximately $50 million. The Company expects to complete the additional $50 million repurchase during the first quarter of 2003.

14. PREFERRED SHARE PURCHASE RIGHTS PLAN:

The Board of Directors of the Company has adopted a Preferred Share Purchase Rights Plan (the "Rights Plan") and, in connection therewith, declared a dividend distribution of one preferred share purchase right ("Right") on each outstanding share of the Company's common stock to shareholders of record at the close of business on April 9, 1999.

Each Right entitles the shareholder to purchase from the Company one one-thousandth of a share of the Company's Series A Junior Participating Preferred Stock (the "Preferred Shares") (or in certain circumstances, cash, property or other securities). Each Right has an initial exercise price of $150.00 for one one-thousandth of a Preferred Share (subject to adjustment). The Rights will be exercisable only if a person or group acquires 15% or more of the Company's common stock or announces a tender or exchange offer, the consummation of which would result in ownership by a person or group of 15% or more of the common stock. Upon such occurrence, each Right will entitle its holder (other than such person or group of affiliated or associated persons) to purchase, at the Right's then-current exercise price, a number of the Company's common shares having a market value of twice such price. The final expiration date of the Rights is the close of business on March 31, 2009 (the "Final Expiration Date").

The Board of Directors of the Company may, at its option, as approved by a Majority Director Vote (as defined in the Rights Plan), at any time prior to the earlier of (i) the time that any person or entity becomes an Acquiring Person (as defined in the Rights Plan), and (ii) the Final Expiration Date, redeem all but not less than all of the then outstanding Rights at a redemption price of $.005 per Right, as such amount may be appropriately adjusted to reflect any stock split, stock dividend or similar transaction. The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board of Directors of the Company, in its sole discretion, may establish (as approved by a Majority Director Vote).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Pursuant to instruction G(3) of the General Instructions to Form 10-K, the information required herein is incorporated by reference to the Company's definitive proxy statement with respect to the Company's 2003 annual meeting of shareholders, to be filed with the Securities and Exchange Commission within 120 days after fiscal year end.

RECENT EVENTS

On March 27, 2003, the Company announced that its President and Chief Executive Officer, Kristen Bratberg, had resigned for personal reasons and that Roger J. Medel, M.D., Chairman of the Board and founder of Pediatrix, had agreed to a new three-year contract to reassume the role of Chief Executive Officer, a position he had held until December 31, 2002.

ITEM 11. EXECUTIVE COMPENSATION

Pursuant to instruction G(3) of the General Instructions to Form 10-K, the information required herein is incorporated by reference to the Company's definitive proxy statement with respect to the Company's 2003 annual meeting of shareholders, to be filed with the Securities and Exchange Commission within 120 days after fiscal year end.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

In addition to the Equity Compensation Plan Information set forth below, pursuant to instruction G(3) of the General Instructions to Form 10-K, the information required herein is incorporated by reference to the Company's definitive proxy statement with respect to the Company's 2003 annual meeting of shareholders, to be filed with the Securities and Exchange Commission within 120 days after fiscal year end.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2002, with respect to shares of Pediatrix common stock that may be issued under existing equity compensation plans, including Pediatrix's Amended and Restated Stock Option Plan (the "Option Plan"), Pediatrix's 1996 Qualified and Non-Qualified Employee Stock Purchase Plans, as amended and restated, (the "Stock Purchase Plans"), and shares of our common stock reserved for issuance under presently exercisable stock options issued by Magella at the time of the Merger (the "Magella Plan").

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS,WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (A))
	(A)	(B)	(C)
Equity compensation plans approved by security holders	4,469,232 (1)	$ 27.03	1,495,964 (2)
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	4,469,232	$ 27.03	1,495,964

(1) Represents 4,240,869 shares issuable under the Option Plan and 228,363 shares issuable under the Magella Plan.

(2) Under the Option Plan and the Stock Purchase Plans, 1,122,795 and 373,169 shares, respectively, remain available for future issuance.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pursuant to instruction G(3) of the General Instructions to Form 10-K, the information required herein is incorporated by reference to the Company's definitive proxy statement with respect to the Company's 2003 annual meeting of shareholders, to be filed with the Securities and Exchange Commission within 120 days after fiscal year end.

ITEM 14. CONTROLS AND PROCEDURES

Within 90 days prior to the filing date of this Annual Report on Form 10-K, Pediatrix carried out an evaluation, under the supervision and with the participation of Pediatrix's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of Pediatrix's disclosure controls and procedures as defined in Rule 13a-14 under the Securities Exchange Act of 1934. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that Pediatrix's current disclosure controls and procedures are adequate and effective. There have been no significant changes in Pediatrix's internal controls or in other factors that could significantly affect internal controls subsequent to the date of the evaluation by the Chief Executive Officer and Chief Financial Officer. The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(A)(1) FINANCIAL STATEMENTS

An index to financial statements included in this Annual Report on Form 10-K appears on page 36.

(A)(2) FINANCIAL STATEMENT SCHEDULE

The following financial statement schedule for the years ended December 31, 2000, 2001 and 2002, is included in this Annual Report on Form 10-K as set forth below.

SCHEDULE II: VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 2001 AND 2002

	2000	2001	2002
		(IN THOUSANDS)	
Allowance for contractual adjustments and uncollectibles:			
Balance at beginning of year	$ 102,479	$ 101,949	$ 129,314
Portion charged against operating revenue	320,584	500,284	630,237
Accounts receivable written-off (net of recoveries)	(321,114)	(472,919)	(624,124)
Balance at end of year	$ 101,949	$ 129,314	$ 135,427

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are not applicable and therefore have been omitted.

(A)(3) EXHIBITS

2.1 Agreement and Plan of Merger dated as of February 14, 2001, among Pediatrix Medical Group, Inc., a Florida corporation, Infant Acquisition Corp., a Delaware corporation, and Magella Healthcare Corporation, a Delaware 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 Amendment 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 (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).

10.1 Pediatrix's Amended and Restated Stock Option Plan (incorporated by reference to Exhibit 10.1 to Pediatrix's Annual Report on Form 10-K for the year ended December 31, 2001).*

10.2 Amended and Restated Pediatrix Thrift and Profit Sharing Plan (incorporated by reference to Exhibit 4.5 to Pediatrix's Registration Statement on Form S-8 (Registration No. 333-101222)).*

10.3 1996 Qualified Employee Stock Purchase Plan, as amended and restated (incorporated by reference to Exhibit 4.5 to Pediatrix's Registration Statement on Form S-8 (Registration No. 333-07061)).*

10.4 1996 Non-Qualified Employee Stock Purchase Plan, as amended and restated (incorporated by reference to Exhibit 4.5 to Pediatrix's Registration Statement on Form S-8 (Registration No. 333-101225)).*

10.5 Pediatrix Executive Non-Qualified Deferred Compensation Plan, dated October 13, 1997 (incorporated by reference to Exhibit 10.35 to Pediatrix's Quarterly Report on Form 10-Q for the period ended June 30, 1998).*

10.6 Form of Indemnification Agreement between Pediatrix and each of its directors and certain executive officers (incorporated by reference to Exhibit 10.2 to Pediatrix's Registration Statement on Form S-1 (Registration No. 33-95086)).*

10.7 Form of Non-competition and Nondisclosure Agreement (incorporated by reference to Exhibit 10.24 to Pediatrix's Registration Statement on (Form S-1 Registration No. 33-95086)).*

10.8 Form of Exclusive Management and Administrative Services Agreement between Pediatrix and each of the PA Contractors (incorporated by reference to Exhibit 10.25 to Pediatrix's Registration Statement on Form S-1 (Registration No. 33-95086)).*

10.9	Employment Agreement, dated as of January 1, 2001, as amended, between Pediatrix and Roger J. Medel, M.D. (incorporated by reference to Exhibit 10.19 to Pediatrix's Quarterly Report on Form 10-Q for the period ended March 31, 2001).*
10.10	Amended and Restated Employment Agreement, dated May 8, 2000, between Kristen Bratberg and Pediatrix (incorporated by reference to Exhibit 10.39 to Pediatrix's Quarterly Report on Form 10-Q for the period ended September 30, 2000).*
10.11	Amended and Restated Employment Agreement dated December 1, 2000, between M. Douglas Cunningham, M.D. and Pediatrix (incorporated by reference to Exhibit 10.13 to Pediatrix's Annual Report on Form 10-K for the year ended December 31, 2000).
10.12	Employment Agreement, dated January 1, 1999, between Karl B. Wagner and Pediatrix (incorporated by reference to Exhibit 10.38 to Pediatrix's Quarterly Report on Form 10-Q for the year ended September 30, 1999).*
10.12.1+	First Amendment to Employment Agreement dated January 1, 2003 between Karl B. Wagner and Pediatrix.*
10.13+	Amended and Restated Employment Agreement dated January 1, 2003 between Brian T. Gillon and Pediatrix.*
10.14	Amended and Restated Credit Agreement, dated as of August 14, 2001, among Pediatrix, certain professional contractors, Fleet National Bank, Firstar Bank N.A., UBS AG, The International Bank of Miami, N.A., and Fleet Securities, Inc. (incorporated by reference to Exhibit 10.21 to Pediatrix's Quarterly Report on Form 10-Q for the period ended September 30, 2001).
10.15	Amendment No. 1 to Amended and Restated Credit Agreement, dated as of August 29, 2001, among Pediatrix, certain professional contractors, Fleet National Bank, Firstar Bank N.A., UBS AG, The International Bank of Miami, N.A. and HSBC Bank (incorporated by reference to Exhibit 10.23 to Pediatrix's Quarterly Report on Form 10-Q for the period ended September 30, 2001).
10.16	Security Agreement dated November 1, 2000, between Pediatrix Medical Group, Inc. and Fleet National Bank, as Agent (incorporated by reference to Exhibit 10.17 to Pediatrix's Annual Report on Form 10-K for the year ended December 31, 2000).
10.17	Amendment No. 1 to Security Agreement, dated as of August 14, 2001, among Pediatrix, certain professional contractors, and Fleet National Bank, as Agent (incorporated by reference to Exhibit 10.22 to Pediatrix's Quarterly Report on Form 10-Q for the period ended September 30, 2001).
10.18	Stockholders' Agreement dated as of February 14, 2001, among Pediatrix, Infant Acquisition Corp., John K. Carlyle, Cordillera Interest, Ltd., Steven K. Boyd, Ian M. Ratner, M.D., Welsh, Carson, Anderson & Stowe VII, L.P., WCAS Healthcare Partners, L.P., the persons listed on Schedule A thereto, Leonard Hilliard, M.D., The Hilliard Family Partnership, Ltd. and Gregg C. Lund, D.O. (incorporated by reference to Exhibit 10.40 to Pediatrix's Current Report on Form 8-K dated February 15, 2001).

10.19 Standstill and Registration Rights Agreement dated as of May 15, 2001, among Pediatrix, Welsh, Carson, Anderson & Stowe VII, L.P., WCAS Healthcare Partners, L.P., the persons listed on Schedule A thereto, John K. Carlyle, Cordillera Interest, Ltd., Steven K. Boyd, Ian M. Ratner, M.D., Roger J. Medel, M.D., Kristen Bratberg, Joseph Calabro, Karl B. Wagner and Brian T. Gillon (incorporated by reference to Exhibit 10.1 to Pediatrix's Current Report on Form 8-K dated May 25, 2001).

10.20 Stipulation and Agreement of Settlement dated February 7, 2001, among Sands Point Partners, L.P., et. al., on behalf of themselves and all other similarly situation, and Pediatrix, Roger J. Medel, M.D., Karl B. Wagner and Lawrence M. Mullen (incorporated by reference to Exhibit 10.20 to Pediatrix's Annual Report on Form 10-K for the year ended December 31, 2001).

10.21 Amendment No. 2 to Amended and Restated Credit Agreement, dated as of June 28, 2002, among Pediatrix, certain professional contractors, Fleet National Bank, U.S. Bank National Association, and HSBC Bank USA (incorporated by reference to Exhibit 10.1 to Pediatrix's Quarterly Report on Form 10-Q for the period ended June 30, 2002).

10.22+ Amendment No. 3 to Amended and Restated Credit Agreement, dated as of November 22, 2002, among Pediatrix, certain professional contractors, Fleet National Bank, U.S. Bank National Association, and HSBC Bank USA.

10.23+ Separation Agreement dated March 26, 2003, between Kristen Bratberg and Pediatrix.

21.1+ Subsidiaries of Pediatrix.

23.1+ Consent of PricewaterhouseCoopers LLP.

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

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

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* Management contract or compensation plan or arrangement.
+ Filed herewith.

(B) REPORTS ON FORM 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 31, 2003

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

Roger J. Medel, M.D., M.B.A.
Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ ROGER J. MEDEL, M.D. Roger J. Medel, M.D., M.B.A.	Chairman of the Board and Chief Executive Officer (principal executive officer)	March 31, 2003
/s/ KARL B. WAGNER Karl B. Wagner	Chief Financial Officer (principal financial officer and principal accounting officer)	March 31, 2003
/s/ CESAR L. ALVAREZ Cesar L. Alvarez	Director	March 31, 2003
/s/ WALDEMAR A. CARLO, M.D. Waldemar A. Carlo, M.D.	Director	March 31, 2003
/s/ JOHN K. CARLYLE John K. Carlyle	Director	March 31, 2003
/s/ KEVIN C. CLARK Kevin C. Clark	Director	March 31, 2003
/s/ MICHAEL B. FERNANDEZ Michael B. Fernandez	Director	March 31, 2003
/s/ ROGER K.FREEMAN, M.D. Roger K. Freeman, M.D.	Director	March 31, 2003
/s/ PAUL G. GABOS Paul G. Gabos	Director	March 31, 2003

CERTIFICATIONS

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

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

2. Based on my knowledge, this annual report does not contain any untrue statement of 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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-14 and 15d-14) for the registrant and we have:

   a. designed such disclosure controls and procedures 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 annual report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2003

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

Roger J. Medel, M.D., M.B.A.
Chairman of the Board and Chief Executive Officer (principal executive officer)

CERTIFICATIONS

I, Karl B. Wagner, certify that:

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

2. Based on my knowledge, this annual report does not contain any untrue statement of 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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-14 and 15d-14) for the registrant and we have:

   a. designed such disclosure controls and procedures 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 annual report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   d. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   e. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2003

By: /s/ KARL B. WAGNER

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

EXHIBIT 10.12.1

FIRST AMENDEMENT TO EMPLOYMENT AGREEMENT

This First Amendment to Employment Agreement by and between Pediatrix Medical Group, Inc., a Florida corporation ("Company") and Karl B. Wagner ("Executive") effective January 1, 1999 (the "Agreement") is made and entered into as of the 1st day of January, 2003.

WHEREAS, the parties entered into the Agreement as of the 20th day of April, 1999;

WHEREAS, the Agreement set forth certain duties and responsibilities of both the Company and the Executive as they related to Executive's role as Chief Financial Officer of Company; and

WHEREAS, the parties desire to amend such Agreement to clarify and memorialize certain changes thereto;

NOW THEREFORE, in consideration of the recitals above and the mutual covenants and conditions herein, Company and Executive agree that effective January 1, 2003, this Amendment modifies the referenced Agreement only as follows:

1. The text of Section 2.1, Base Salary, shall be deleted in its entirety and replaced with the following:

> 2.1 BASE SALARY. "Commencing January 1, 2003, the Executive shall receive a base salary at the annual rate of not less than Three Hundred Thousand Dollars ($300,000) (the "Base Salary") during the term of this Agreement, with such Base Salary payable in installments consistent with the Company's normal payroll schedule, subject to required applicable withholding taxes."

2. The text of Section 2.2 Performance Bonus, shall be deleted in its entirety and replaced with the following:

> 2.2 PERFORMANCE BONUS. For each calendar year during the Employment Period, the Executive shall be eligible to receive a performance bonus (the "Performance Bonus") in an amount of up to one hundred percent (100%) of the Base Salary, with the actual amount, if any, to be determined at the sole discretion of the Compensation Committee of the Company's Board of Directors. The Company shall pay the Performance Bonus, if any, to the Executive within ninety (90) days after the end of each applicable calendar year.

Except as amended herein, all other terms and conditions of the Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment 1 as of the 1st day of January, 2003.

PEDIATRIX MEDICAL GROUP, INC.

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

Roger J. Medel, M.D., M.B.A.
Chief Executive Officer

EXECUTIVE:

/s/ Karl B. Wagner

Karl B. Wagner

EXHIBIT 10.13

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of the 1st day of January, 2003, by and between PEDIATRIX MEDICAL GROUP, INC., a Florida corporation (hereinafter called the "Company"), and BRIAN T. GILLON (hereinafter called the "Executive").

P R E L I M I N A R Y   S T A T E M E N T S

A. The Company is presently engaged in the business of providing neonatal, perinatal and pediatric physician management services to hospitals (the "Business").

B. The Executive has had several years of experience in assisting the Company and other health care companies execute transactions.

C. The Company is desirous of employing the Executive and benefiting from his contributions to the Company.

D. The Company and Executive previously entered into an Employment Agreement dated January 12, 2001 which will be canceled in its entirety upon the effective date of this Agreement.

A G R E E M E N T

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth herein, the parties agree as follows:

1. EMPLOYMENT.

1.1. EMPLOYMENT AND TERM. The Company hereby agrees to employ the Executive and the Executive hereby agrees to serve the Company, on the terms and conditions set forth herein, for an "Initial Term" commencing on January 1, 2003 and expiring on December 31, 2004 (the "Expiration Date") unless sooner terminated as hereinafter set forth. The Initial Term of this Agreement, and the employment of the Executive hereunder, shall be automatically renewed for one (1) year periods thereafter until terminated in accordance hereunder. (The Initial Term and any automatic renewals shall be hereinafter referred to as the "Employment Period").

1.2. DUTIES OF THE EXECUTIVE. During the Employment Period, the Executive shall serve as Executive Vice President - Corporate Development and General Counsel of the Company. The Executive shall be responsible for the legal affairs of the Company and shall supervise and direct the activities of the Legal Department of the Company. The Executive shall report to, and shall be subject to the supervision and direction of, the Company's Chief Executive

Officer. During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote substantially all of his attention and business time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder as a senior executive officer involved in the general management of the Company, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (i) serve on corporate, civic or charitable boards or committees; (ii) deliver lectures, fulfill speaking engagements or teach at educational institutions; or (iii) manage personal investments and engage in other business activities, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement.

1.3. PLACE OF PERFORMANCE. The Executive shall be based at the Company's principal executive offices located in Broward County, Florida, except for required travel relating to the Company's Business.

2. BASE COMPENSATION AND BONUS.

2.1. BASE SALARY. The Executive shall receive a base salary at the annual rate of not less than Three Hundred Thousand Dollars ($300,000) (the "Base Salary") during the term of this Agreement, with such Base Salary payable in installments consistent with the Company's normal payroll schedule, subject to required applicable withholding for taxes. The Base Salary shall also be reviewed, at least annually, for merit increases and may, by action and in the discretion of the Compensation Committee (the "Committee") of the Company's Board of Directors, be increased at any time or from time to time. At the sole discretion of Committee, Company may adjust Executive's Base Salary to reflect annual changes in the cost of living.

2.2. INCENTIVE BONUS. For each calendar year during the Employment Period, the Executive shall be eligible to receive a performance bonus (the "Performance Bonus") in an amount of up to one hundred percent (100%) of the Base Salary, with the actual amount, if any, to be determined on the basis of individual performance goals and Company earnings thresholds as established annually by the Compensation Committee . Company shall pay the Performance Bonus, if any, to Executive within ninety (90) days after the end of each applicable calendar year.

3. OTHER BENEFITS.

3.1. EXPENSE REIMBURSEMENT. The Company shall promptly reimburse the Executive for all reasonable expenses actually paid or incurred by the Executive in the course of and pursuant to the Business of the Company, including expenses for travel and entertainment. The Executive shall account and submit reasonably supporting documentation to the Company in connection with any expense reimbursement hereunder in accordance with the Company's policies.

3.2. OTHER BENEFITS. During the Employment Period, the Company shall continue in force all existing comprehensive major medical and hospitalization insurance coverages, either group or individual for the Executive and his dependents; shall continue in force all existing life insurance for the Executive; and shall continue in force all existing disability insurance for the Executive (collectively, the "Policies"), which Policies the Company shall keep in effect at its sole expense throughout the term of this Agreement. The Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under all welfare benefit plans, practices, policies and programs provided by the Company (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent generally applicable to senior executives or other peer executives of the Company. The Executive shall also be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs and such other perquisites as applicable generally to senior executives or other peer executives of the Company. The Executive shall be reimbursed for professional dues and subscriptions in accordance with the written policies and procedures of the Company. Nothing paid to the Executive under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the Base Salary or other bonus payable to the Executive pursuant to this agreement.

3.3. WORKING FACILITIES. The Company shall furnish the Executive with such facilities and services suitable to his position and adequate for the performance of his duties hereunder.

3.4. VACATION. The Executive shall be entitled to such number of paid vacation and leave days in each calendar year as determined by the Committee from time to time for the Company's senior executive officers, but in no event less than four (4) weeks of paid vacation during each calendar year. Unused vacation days may be carried forward from year to year at the option of the Executive; provided that the Executive notifies the Company of his intention to accrue any unused vacation or leave time.

3.5. PROFESSIONAL MEETINGS AND SEMINARS. The Executive shall be entitled to reimbursement for professional dues and reasonable expenses associated with attendance at professional meetings and seminars related to his responsibilities as Executive Vice President, Corporate Development and General Counsel of the Company.

4. TERMINATION.

4.1. TERMINATION FOR CAUSE.

(a) The Company may terminate this Agreement for Cause. As used in this Agreement, the term "Cause" shall mean:

(i) A material willful breach committed in bad faith by the Executive of the Executive's obligations under Section 1.2 hereof (other than as a result of incapacity due to physical or mental illness) which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach; OR

(ii) The conviction of the Executive of a felony based upon a violent crime or a sexual crime involving baseness, vileness or depravity; OR

(iii) Substance abuse by the Executive in a manner which materially affects the performance of the Executive's obligations under Section 1.2 hereof; OR

(iv) Any act or omission of the Executive which is materially contrary to the business interests, representations or goodwill of the Company.

(b) The Termination Date for a termination of this Agreement pursuant to this Section 4.1 shall be the date, which shall not be retroactive, specified by the Company in a written notice to the Executive of finding of Cause.

(c) Upon any termination of this Agreement pursuant to this Section 4.1, the Executive shall be entitled to the compensation specified in Section 5.1 hereof.

4.2. DISABILITY. The Company may terminate this Agreement upon the Disability (as defined below) of the Employee in strict accordance with the following procedure: Upon a good faith determination by not less than a majority of the Board of the entire membership of the Board (excluding the Executive) that the Executive has suffered a Disability, the Company shall give the Executive written notice of its intention to terminate this Agreement due to such Disability. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for six consecutive months or twelve months whether or not consecutive as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably). The Termination Date for a termination of this Agreement pursuant to this Section 4.2 shall be the date specified by the Board in the resolution finding that the Executive has suffered a Disability, which date may not be any earlier than 30 days after the date of Board's finding. Upon any termination of this Agreement pursuant to this Section 4.2, the Executive shall be entitled to the compensation specified in Section 5.2 hereof.

4.3. DEATH. This Agreement shall terminate automatically upon the death of the Executive, without any requirement of notice by the Company to the Executive's estate. The date of the Executive's death shall be the Termination Date for a termination of this Agreement pursuant to this Section 4.3. Upon any termination of this Agreement pursuant to this Section 4.3, the Executive shall be entitled to the compensation specified in Section 5.3 hereof.

4.4 TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate the Executive's employment, without cause, as provided in this Section 4.4. To terminate the Executive's employment without cause in accordance with this Section 4.4, the Company shall give the Executive written notice of such termination. The Termination Date shall be the date specified by the Company in such notice. Upon any termination of this Agreement pursuant to this Section 4.4, the Executive shall be entitled to the compensation specified in Section 5.4 hereof.

4.5. TERMINATION UPON A CHANGE IN CONTROL OF THE COMPANY. In the event a Change in Control (as hereafter defined) in the Company shall occur during the Employment Period, and the Executive elects to terminate his employment with Company because Executive is (i) assigned any position, duties or responsibilities that are significantly diminished or changed when compared with the position, duties, responsibilities or compensation of the Executive prior to such Change in Control, or (ii) forced to relocate to another location more than 25 miles from the Executive's location prior to the Change in Control, or (iii) Executive is terminated by Company, then the Executive shall be entitled to the compensation specified in Section 5.5 hereof and any other compensation and benefits provided in this Agreement in connection with a Change in Control of the Company. For purposes of this Section 4.5, "Change in Control of the Company" shall mean (i) the acquisition by a person or an entity or a group of persons and entities, directly or indirectly, of more than fifty (50%) percent of the Company's common stock in a single transaction or a series of transactions (hereinafter referred to as a "50% Change in Control"); (ii) a merger or other form of corporate reorganization resulting in an actual or DE FACTO 50% Change in Control; or (iii) the failure of Applicable Directors (defined below) to constitute a majority of the Company's Board of Directors (the "Board") during any two (2) consecutive year period after the date of this Agreement (the "Two-Year Period"). "Applicable Directors" shall mean those individuals who are members of the Board at the inception of a Two-Year Period and any new director whose election to the Board or nomination for election to the Board was approved (prior to any vote thereon by the shareholders) by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the Two-Year Period at issue or whose election or nomination for election during such Two-Year Period was previously approved as provided in this sentence. If the Executive elects to terminate his employment pursuant to the terms of this Section 4.5, the Executive shall give the Company a written termination notice. The Termination Date shall be the date specified in such notice, which date may not be earlier than 30 days nor later than 90 days from the Company's receipt of such notice.

4.6. TERMINATION BY THE EXECUTIVE DUE TO POOR HEALTH. The Executive may terminate his employment under this Agreement upon written notice to the Company if the Executive's health should become impaired to any extent that makes the continued performance of the Executive's duties under this Agreement hazardous to the Executive's physical or mental health or his life (regardless of whether such condition would be deemed a Disability under any other section of this Agreement), provided that the Executive shall have furnished the Company with a written statement from a qualified doctor to that effect and provided further that, at the Company's written request and expense, the Executive shall submit to a medical examination by a qualified doctor selected by the Company and acceptable to the Executive (which acceptance shall not be unreasonably withheld) which doctor shall substantially concur with the conclusions of the Executive's doctor. The Termination Date shall be the date specified in the Executive's notice to the Company, which date may not be earlier than 30 days nor later than 90 days from the Company's receipt of such notice. Upon any termination of this Agreement pursuant to this Section 4.6, the Executive shall be entitled to the compensation specified in Section 5.6 hereof.

4.7. TERMINATION BY THE EXECUTIVE. The Executive may terminate his employment under this Agreement for any reason whatsoever upon not less than 90 days prior written notice to the Company. The Termination Date under this Section 4.7 shall be the date specified in the Executive's notice to the Company, which date may not be earlier than 90 days from the Company's receipt of such notice. Upon any termination, or provision of notice with respect to termination, of this Agreement by Executive pursuant to this Section 4.7 on or prior to December 31, 2003, the Executive shall be entitled to the compensation specified in Section 5.4 hereof. Upon any termination of this Agreement by Executive pursuant to this Section 4.7 occuring on or after January 1, 2004, (other than a termination with respect to which Executive had provided notice prior to December 31, 2003), the Executive shall be entitled to the compensation specified in Section 5.7 hereof.

5. COMPENSATION AND BENEFITS UPON TERMINATION.

5.1. CAUSE. If the Executive's employment is terminated for Cause, the Company shall pay the Executive his full Base Salary through the Termination Date specified in Section 4.1 at the rate in effect at the Termination Date, and the Company shall have no further obligation to the Executive under this Agreement.

5.2. DISABILITY. During any period that the Executive is unable to perform his duties under this Agreement as a result of incapacity due to physical or mental illness, the Executive shall continue to receive his full Base Salary until the Termination Date specified in Section 4.2, plus the prorated amounts specified in Section 5.9. After such termination, the Executive shall receive 50% of his annual Base Salary at the rate in effect at the Termination Date, payable in six equal monthly installments, reduced by any disability payments otherwise payable by or pursuant to plans provided by the Company.

5.3. DEATH. Upon the Executive's death, the Company shall pay to the person designated by the Executive in a notice filed with the Company or, if no person is designated, to his estate (i) any unpaid amounts of his Base Salary and accrued vacation to the date of the Executive's death, plus the prorated amounts specified in Section 5.9; and (ii) any payments the Executive's spouse, beneficiaries or estate may be entitled to receive pursuant to any pension or employee benefit plan or life insurance policy or similar plan or policy then maintained by the Company. Upon full payment of all amounts required to be paid under this Section 5.3, the Company shall have no further obligation under this Agreement.

5.4 TERMINATION BY THE COMPANY OR EXECUTIVE WITHOUT CAUSE. If, on or prior to December 31, 2003, the Company terminates the Executive's employment, or Executive gives notice of his intent to terminate his employment, in each case in accordance with and subject to Sections 4.4 or 4.7 hereof, respectively, then (i) the Company shall pay the Executive his full Base Salary through the Termination Date as specified in Sections 4.4 or 4.7 (as applicable) at the rate in effect at such Termination Date, plus the prorated amounts specified in Section 5.9; and (ii) in lieu of further salary payments to the Executive for periods subsequent to the Termination Date and in consideration of the rights of the Company under Section 8, the Company shall pay Executive an amount equal to 100% of his annual Base Salary at the highest rate in effect during the 12 months immediately preceding the Termination Date, payable to the Executive in twelve equal monthly installments. In the event that this Agreement is terminated by the Company on or after January 1, 2004, the payments contemplated in subparagraph (ii) of the immediately preceding sentence shall be an amount equal to 50% of Executive's annual Base Salary (as determined under subparagraph (ii), payable in six equal monthly installments. Upon payment of the amounts specified under this Section 5.4, the Company shall have no further obligation under this Agreement.

5.5. TERMINATION UPON A CHANGE IN CONTROL. If this Agreement is terminated as contemplated by Section 4.5, then (i) the Company shall pay the Employee his full Base Salary through the Termination Date specified in Section 4.5, at the rate in effect at such Termination Date, plus the amounts specified in Section 5.9; (ii) the Employee shall receive all other compensation and benefits provided in this Agreement in connection with a termination of employment due to a Change in Control of the Company; and (iii) in lieu of any further salary payments to the Employee for periods subsequent to such Termination Date (but without affecting compensation or benefits to the Employee in accordance with the preceding clauses 5.5 (i) and 5.5 (ii) and in consideration of the rights of the Company under Section 8), the Company shall pay as severance pay to the Employee an amount equal to 100% of the average annual taxable compensation of the Employee for the five taxable years prior to such termination (all as determined to compute the "base amount" for purposes of Section 280G of the Internal Revenue Code of 1986, as amended (the" Code")), reduced, but not below zero, by the amount of compensation or benefits from the Company to the Employee which would cause the severance pay payable pursuant to this Section 5.5 to exceed the excess parachute payment limitation imposed under Section 280G of the Code, payable to the Employee in 12 equal monthly installments, commencing upon such termination. It is understood and agreed that (i) any partial year during which the Employee has been employed by the Company shall be deemed to be a full year, with the taxable compensation for such year deemed to be the taxable compensation received by the Employee in such partial year increased so as to annualize such amount for the full year and (ii) if the Employee has not been employed by the Company for the four consecutive years immediately prior to the year in which such termination occurs, then the five taxable years referenced in the immediately preceding sentence shall be deemed to be the lesser period that the Employee has been employed by the Company. In addition, in the event the Termination Date as a result of a Change in Control occurs within the twelve-month period of a Change in Control, any stock options held by the Employee on the Termination Date shall become vested in full and immediately exercisable.

5.6. TERMINATION BY THE EXECUTIVE DUE TO POOR HEALTH. If the Executive terminates this Agreement pursuant to Section 4.6 hereof, the Company shall pay to the Executive any unpaid amounts of his Base Salary and accrued vacation to the Termination Date specified in Section 4.6, plus any disability payments otherwise payable by or pursuant to plans provided by the Company, plus the prorated amounts specified in Section 5.9.

5.7. TERMINATION BY THE EXECUTIVE. If this Agreement terminates on or after January 1, 2004 (other than a termination with respect to which Executive had provided notice prior to December 31, 2003) pursuant to Section 4.7 hereof, the Company shall pay to the Executive any unpaid amounts of his Base Salary and accrued vacation to the Termination Date specified in Section 4.7, as the case may be, plus the prorated amounts specified in Section 5.9.

5.8. HEALTH AND MEDICAL PLANS. The Executive shall be entitled to all continuation of health, medical, hospitalization and other programs during the period that the Executive is receiving payments under this Agreement (including payments pursuant to Section 5.4) and, in all cases, as provided by any applicable law. The Executive shall also be entitled to receive those benefits as are provided by the Company to its employees upon termination of employment with the Company.

5.9. INCENTIVE BONUS AND EXPENSE REIMBURSEMENT. If the Employee's employment with the Company is terminated for any reason other than Cause (defined in Section 4.1(a) above), the Employee shall be paid, solely in consideration for services rendered by the Employee prior to such termination, a Bonus with respect to the Company's fiscal year in which the termination date occurs, equal to the Performance Bonus that would have been payable to the Employee for the fiscal year if the Employee's employment had not been terminated, multiplied by the number of days in the fiscal year prior to and including the date of termination and divided by 365. The Employee shall be entitled to reimbursement for reasonable business expenses incurred prior to the Termination Date, subject, however to the provisions of Section 3.1.

6. SUCCESSORS; BINDING AGREEMENT.

6.1. SUCCESSORS. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) acquiring a majority of the Company's voting common stock or any other successor to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as previously defined and any successor to its business and/or assets which executes and delivers the agreement provided for in this Section 6 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

6.2. BENEFIT. This Agreement and all rights of the Executive under this Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to him under this Agreement, including all payments payable under Section 5, if he had continued to live, all such amounts shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee, or other designee or, if there is no such designee, the Executive's estate.

7. CONFLICTS WITH PRIOR EMPLOYMENT CONTRACT. Except as otherwise provided in this Agreement, this Agreement constitutes the entire agreement among the parties pertaining to the subject matter hereof, and supersedes and

revokes any and all prior or existing agreements, written or oral, relating to the subject matter hereof, and this Agreement shall be solely determinative of the subject matter hereof.

8. NONCOMPETITION; UNAUTHORIZED DISCLOSURE; INJUNCTIVE RELIEF.

8.1. NO MATERIAL COMPETITION. Except with respect to services performed under this Agreement on behalf of the Company, and subject to the obligations of the Executive as an officer of the Company and the employment obligations of the Executive under this Agreement, the Executive agrees that at no time during the Employment Period or, for a period of one year immediately following any termination of this Agreement for any reason, for himself or on behalf of any other person, persons, firm, partnership, corporation or company:

(a) Solicit or accept business from any clients of the Company or its affiliates, from any prospective clients whose business the Company or any affiliate of the Company is in the process of soliciting at the time of the Executive's termination, or from any former clients which had been doing business with the Company within one year prior to the Executive's termination;

(b) Solicit any employee of the Company or its affiliates to terminate such employee's employment with the Company; or

(c) Engage in any neonatology or perinatology-related business of the types performed by the Company in the geographical area where the Company is actively doing business or soliciting business, including, but not limited to, employment or association with Sheridan Healthcare, Inc., its subsidiaries, affiliates or successors-in-interest.

8.2. UNAUTHORIZED DISCLOSURE. During the Employment Period and for two years following the termination of this Agreement for any reason, the Executive shall not, without the written consent of the Board or a person authorized by the Board or as may otherwise be required by law or court order, disclose to any person, other than an employee of the Company or person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of his duties as an executive of the Company, any material confidential information obtained by him while in the employ of the Company with respect to any of the company's clients, physicians, creditors, lenders, investment bankers or methods of marketing, PROVIDED, HOWEVER, that confidential information shall not include any information generally known to the public (other than as a result of unauthorized disclosure by the Executive) or any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that conducted by the Company.

8.3. INJUNCTION. The Company and the Executive acknowledge that a breach by the Executive of any of the covenants contained in this Section 8 may cause irreparable harm or damage to the Company or its subsidiaries, the monetary amount of which may be virtually impossible to ascertain. As a result, the Executive agrees that the Company shall be entitled to an injunction issued by any court of competent jurisdiction enjoining and restraining all violations of this Section 8 by the Executive or his associates, affiliates, partners or agents, and that the right to an injunction shall be cumulative and in addition to all other remedies the Company may possess.

8.4. CERTAIN PROVISIONS. The provisions of this Section 8 shall apply during the time the Executive is receiving Disability payments from the Company as a result of a termination of this Agreement pursuant to Section 4.2 hereof.

9. ARBITRATION. Any dispute or controversy (except for disputes arising under Section 8) arising under or in connection with this Agreement shall be settled exclusively by arbitration in accordance with the rules of the American Arbitration Association then in effect (except to the extent that the procedures outlined below differ from such rules). Within 7 days after receipt of written notice from either party that a dispute exists and that arbitration is required, both parties must within 7 business days agree on an acceptable arbitrator. If the parties cannot agree on an arbitrator, then the parties shall list the "Big Five" accounting firms (other than the Company's auditors) in alphabetical order and the first firm that does not have a conflict of interest and is willing to serve will be selected as the arbitrator. The parties agree to act as expeditiously as possible to select an arbitrator and conclude the dispute. The arbitrator must render his decision in writing within 30 days of his or its appointment. The cost and expenses of the arbitration and of legal counsel to the prevailing party shall be borne by the non-prevailing party. Each party will advance one-half of the estimated fees and expenses of the arbitrator. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided that the Company shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any continuation of any violation of Section 8 hereof.

10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida without regard to its conflict of laws principles to the extent that such principles would require the application of laws other than the laws of the State of Florida.

11. NOTICES. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when delivered by hand or when deposited in the United States mail by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company:	If to the Executive:
Roger J. Medel, M.D., M.B.A. Pediatrix Medical Group, Inc. 1301 Concord Terrace Sunrise, Florida 33323	Brian T. Gillon 700 NE 26th Avenue Ft. Lauderdale, FL 33304

or to such other addresses as either party hereto may from time to time give notice of to the other in the aforesaid manner.

12. BENEFITS: BINDING EFFECT. This Agreement shall be for the benefit of and binding upon the parties hereto and their respective heirs, personal representatives, legal representatives, successors and, where applicable,

assigns. Notwithstanding the foregoing, neither party may assign its rights or benefits hereunder without the prior written consent of the other party hereto.

13. SEVERABILITY. The invalidity of any one or more of the words, phrases, sentences, clauses or sections contained in this Agreement shall not affect the enforceability of the remaining portions of this Agreement or any part thereof, all of which are inserted conditionally on their being valid in law, and, in the event that any one or more of the words, phrases, sentences, clauses or sections contained in this Agreement shall be declared invalid, this Agreement shall be construed as if such invalid word or words, phrase or phrases, sentence or sentences, clause or clauses, or section or sections had not been inserted. If such invalidity is caused by length of time or size of area, or both, the otherwise invalid provision will be considered to be reduced to a period or area which would cure such invalidity.

14. WAIVERS. The waiver by either party hereto of a breach or violation of any term or provision of this Agreement shall not operate nor be construed as a waiver of any subsequent breach or violation.

15. DAMAGES. Nothing contained herein shall be construed to prevent the Company or the Executive from seeking and recovering from the other damages sustained by either or both of them as a result of its or his breach of any term or provision of this Agreement. In the event that either party hereto brings suit for the collection of any damages resulting from, or the injunction of any action constituting, a breach of any of the terms or provisions of this Agreement, then the party found to be at fault shall pay all reasonable court costs and attorneys' fees of the other, whether such costs and fees are incurred in a court of original jurisdiction or one or more courts of appellate jurisdiction.

16. NO THIRD PARTY BENEFICIARY. Nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any person (other than the parties hereto and, in the case of the Executive, his heirs, personal representative(s) and/or legal representative) any rights or remedies under or by reason of this Agreement. No agreements or representations, oral or otherwise, express or implied, have been made by either party with respect to the subject matter of this agreement which agreements or representations are not set forth expressly in this Agreement, and this Agreement supersedes any other employment agreement between the Company and the Executive.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

PEDIATRIX MEDICAL GROUP, INC.	THE EXECUTIVE:
By : /s/ Roger J. Medel, M.D.	/s/ Brian T. Gillon
-------------------------------	-------------------------------
Roger J. Medel, M.D., M.B.A. Chief Executive Officer	Brian T. Gillon

Exhibit 10.22

PEDIATRIX MEDICAL GROUP

AMENDED AND RESTATED CREDIT AGREEMENT

Originally Dated as of June 27, 1996
As Amended and Restated as of November 1, 2000
As Amended and Restated as of August 14, 2001
As Amended (by Amendment No. 1) as of August 29, 2001
As Amended (by Amendment No.2) as of June 28, 2002

AMENDMENT NO. 3

Dated as of November 22, 2002

FLEET NATIONAL BANK, Agent and Lender
U.S. BANK NATIONAL ASSOCIATION, Syndication Agent and Lender
HSBC BANK USA, Documentation Agent and Lender
FLEET SECURITIES, INC., Arranger

AMENDMENT NUMBER 3 TO
AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of November 22, 2002

This agreement, dated as of November 22, 2002 (this "AMENDMENT"), is among Pediatrix Medical Group, Inc., a Florida corporation, the Material Related Entities of Pediatrix Medical Group, Inc. from time to time party hereto, and the Lenders from time to time party hereto including Fleet National Bank, formerly known as The First National Bank of Boston, both in its capacity as a Lender and in its capacity as an Agent, U.S. Bank National Association, formerly known as Firstar Bank N.A., both in its capacity as a Lender and in its capacity as Syndication Agent, and HSBC Bank USA, both in its capacity as a Lender and in its capacity as Documentation Agent. The parties agree as follows:

1. CREDIT AGREEMENT; DEFINITIONS.

1.1. CREDIT AGREEMENT. This Amendment amends the Credit Agreement originally dated as of June 27, 1996, as amended and restated as of November 1, 2000, as further amended and restated as of August 14, 2001, as amended as of August 29, 2001 and as further amended as of June 28, 2002 among the parties hereto (as in effect prior to giving effect to this Amendment, the "CREDIT AGREEMENT").

1.2. DEFINITIONS. Terms used in this Amendment but not defined herein are used as defined in the Credit Agreement.

2. AMENDMENTS. Effective upon the date hereof, the Credit Agreement is amended as follows:

2.1. SECTION 6.10. Section 6.10 of the Credit Agreement is hereby amended to read in its entirety as follows:

"6.10. DISTRIBUTIONS. None of the Borrowers shall make any Distribution except the following: (i) Distributions in respect of the redemption of capital stock of the Company from employees of any Borrower; PROVIDED, HOWEVER, that the amount of all such Distributions shall not exceed $500,000 in the aggregate in any fiscal year; (ii) other Distributions in respect of the redemption of capital stock of the Company; PROVIDED, HOWEVER, that the amount of all such Distributions shall not exceed $100,000,000 in the aggregate during the lifetime of this agreement; (iii) Distributions to the Company by its Subsidiaries; (iv) regularly scheduled payments of interest to the holders of the Subordinated Notes in accordance with the terms of such Subordinated Notes; and (v) regularly scheduled payments of interest to the holders of Approved Subordinated Debt or Approved Contingent Debt in accordance with the terms of such Approved Subordinated Debt or Approved Contingent Debt."

3. REPRESENTATION AND WARRANTY. In order to induce the Agent and the Lenders to enter into this Amendment, each of the Obligors jointly and severally represents and warrants that, after giving effect to this Amendment, no Default exists.

4. PAYMENT OF AGENT'S LEGAL EXPENSES. Upon or prior to the effectiveness of this Amendment, each of the Borrowers jointly and severally agrees to pay the reasonable legal fees and expenses of the Agent with respect to this Amendment and the transactions contemplated hereby.

5. MISCELLANEOUS. The Credit Agreement as amended by this Amendment (the "AMENDED CREDIT AGREEMENT") and all of the Credit Documents are each confirmed as being in full force and effect. This Amendment, the Amended Credit Agreement and the other Credit Documents referred to herein or therein constitute the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior and current understandings and agreements, whether written or oral. Each of this Amendment and the Amended Credit Agreement is a Credit Document and may be executed in any number of counterparts, which together shall constitute one instrument, and shall bind and inure to the benefit of the parties and their respective successors and assigns, including as such successors and assigns all holders of any Credit Obligation. This Amendment shall be governed by and construed in accordance with the laws (other than the conflict of law rules) of The Commonwealth of Massachusetts.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, each of the undersigned has duly executed this Amendment (or caused this Amendment to be executed on its behalf by its officer or representative thereunto duly authorized) under seal as of the date first written above.

PEDIATRIX MEDICAL GROUP, INC. (Florida)

By: /s/ Karl B. Wagner

Karl B. Wagner, Chief Financial Officer

ALASKA NEONATOLOGY ASSOCIATES, INC.
AUGUSTA NEONATOLOGY ASSOCIATES, P.C.
DES MOINES PERINATAL CENTER, P.C.
FOOTHILL MEDICAL GROUP, INC.
FORT WORTH NEONATAL ASSOCIATES, P.A.
OBSTETRIX MEDICAL GROUP OF CALIFORNIA, A PROFESSIONAL CORPORATION
MAGELLA HEALTHCARE GROUP, L.P.
MAGELLA MEDICAL ASSOCIATES, P.A.
MAGELLA MEDICAL ASSOCIATES OF GEORGIA, P.C.
MAGELLA MEDICAL ASSOCIATES MIDWEST, P.C.
MAGELLA MEDICAL GROUP, INC. (d/b/a MAGELLA MEDICAL GROUP, A MEDICAL CORPORATION)
MAGELLA NEVADA, LLC
MAGELLA TEXAS, LLC
MARCIA J. PERNOLL, M.D. PROF. CORP. d/b/a OBSTETRIX MEDICAL GROUP OF NEVADA, LTD.
MOUNTAIN STATES NEONATOLOGY, INC.
NEONATAL AND PEDIATRIC INTENSIVE CARE MEDICAL GROUP, INC.
NEONATOLOGY ASSOCIATES, P.A.
NEONATOLOGY-CARDIOLOGY ASSOCIATES, P.A.
NEWBORN SPECIALISTS, P.C.
OBSTETRIX MEDICAL GROUP OF COLORADO, P.C.
OBSTETRIX MEDICAL GROUP OF KANSAS AND MISSOURI, P.A.
OBSTETRIX MEDICAL GROUP OF TEXAS, P.A.
OZARK NEONATAL ASSOCIATES, INC.

By: /s/ Karl B. Wagner

Karl B. Wagner, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF ARKANSAS, P.A.
PEDIATRIX MEDICAL GROUP OF CALIFORNIA, A
PROFESSIONAL CORPORATION
PEDIATRIX MEDICAL GROUP OF COLORADO, P.C.
PEDIATRIX MEDICAL GROUP OF GEORGIA, P.C.
PEDIATRIX MEDICAL GROUP OF INDIANA, P.C.
PEDIATRIX MEDICAL GROUP OF KANSAS, P.A.
PEDIATRIX MEDICAL GROUP OF MISSOURI, P.C.
PEDIATRIX MEDICAL GROUP OF OKLAHOMA, P.C.
PEDIATRIX MEDICAL GROUP OF PENNSYLVANIA, P.C.
PEDIATRIX MEDICAL GROUP OF PUERTO RICO, P.S.C.
PEDIATRIX MEDICAL GROUP OF TEXAS, P.A.
PEDIATRIX MEDICAL GROUP NEONATOLOGY AND
PEDIATRIC INTENSIVE CARE SPECIALISTS
OF NEW YORK, P.C.
PEDIATRIX MEDICAL GROUP
PEDIATRIX OF MARYLAND, P.A.
PERINATAL PEDIATRICS, P.A.
PERNOLL MEDICAL GROUP OF NEVADA, LTD.
d/b/a PEDIATRIX MEDICAL GROUP OF NEVADA
SAVANNAH NEONATOLOGY, INC.
ST. JOSEPH NEONATOLOGY CONSULTANTS, P.A.
TEXAS MATERNAL FETAL MEDICINE, P.A.

By: /s/ Karl B. Wagner

Karl B. Wagner, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF OHIO CORP.

By: /s/ Karl B. Wagner

Karl B. Wagner, Secretary

ASSOCIATES IN NEONATOLOGY, INC.
BNA ACQUISITION COMPANY, INC.
CENTRAL OKLAHOMA NEONATOLOGY
ASSOCIATES, INC.
FLORIDA REGIONAL NEONATAL ASSOCIATES, P.A.
GNPA ACQUISITION COMPANY, INC.
MAGELLA HEALTHCARE CORPORATION
MNPC ACQUISITION COMPANY, INC.
NACF ACQUISITION COMPANY, INC.
NEONATAL SPECIALISTS, LTD.
NSPA ACQUISITION COMPANY, INC.
OBSTETRIX MEDICAL GROUP OF ARIZONA, P.C.
OBSTETRIX MEDICAL GROUP OF DELAWARE, INC.
OBSTETRIX MEDICAL GROUP OF PENNSYLVANIA, P.C.
OBSTETRIX MEDICAL GROUP OF PHOENIX, P.C.
OBSTETRIX MEDICAL GROUP OF
WASHINGTON, INC., P.S.
OBSTETRIX MEDICAL GROUP, INC.
PALM BEACH NEO ACQUISITIONS, INC.
PASCV ACQUISITION COMPANY, INC.
PEDIATRIX MEDICAL GROUP OF DELAWARE, INC.
PEDIATRIX MEDICAL GROUP OF FLORIDA, INC.
PEDIATRIX MEDICAL GROUP OF NEW MEXICO, P.C.
PEDIATRIX MEDICAL GROUP OF SOUTH CAROLINA, P.A.
PEDIATRIX MEDICAL GROUP OF TENNESSEE, P.C.
PEDIATRIX MEDICAL GROUP OF WASHINGTON, INC., P.S.
PEDIATRIX MEDICAL GROUP, INC. (Utah)
PEDIATRIX MEDICAL GROUP, P.A.
PEDIATRIX MEDICAL GROUP, P.C. (Virginia)
PEDIATRIX MEDICAL GROUP, P.C. (West Virginia)
PMG ACQUISITION CORP.
PNA ACQUISITION CO., INC.
RPNA ACQUISITION COMPANY, INC.
SCPMC ACQUISITION CO.
SNCA ACQUISITION COMPANY, INC.

By: /s/ Karl B. Wagner

Karl B. Wagner, Treasurer

FLEET NATIONAL BANK

By: /s/ Ginger Stolzenthaler

Ginger Stolzenthaler

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Walker S. Choppin

Walker S. Choppin, Senior Vice President

HSBC BANK USA

By: /s/ Christopher Harrocks

Christopher Harrocks, Vice President

UBS AG, STAMFORD BRANCH

By: /s/ Wilfred V. Saint

Wilfred V. Saint, Associate Director
Banking Products Services, US

By: /s/ Susan Brunner

Susan Brunner, Associate Director
Banking Products Services, US

THE INTERNATIONAL BANK OF MIAMI, N.A.

By: /s/ Eduardo Hornero

Eduardo Hornero, Vice President

By: /s/ Jorge Maklouf

Jorge Maklouf, Senior Vice President

SEPARATION AGREEMENT

SEPARATION AGREEMENT (this "Agreement"), dated March 26, 2003, by and between PEDIATRIX MEDICAL GROUP, INC., a Florida corporation (the "Company") and KRISTEN BRATBERG (the "Executive").

WHEREAS, the Executive is the President and Chief Executive Officer of the Company and a member of its Board of Directors (the "Board"); and

WHEREAS, the parties have agreed that the Executive will resign from all of his positions with the Company, its subsidiaries and its affiliates, effective as of March 26, 2003, on the terms set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, and other good and valuable consideration, the receipt of which are hereby acknowledged, the parties hereby agree as follows:

SECTION 1. RESIGNATION

Effective March 26, 2003 (the "Termination Date"), the Executive hereby resigns from all positions he holds with the Company, its subsidiaries and its affiliates including, without limitation, the positions of President and Chief Executive Officer of the Company and as a member of the Board.

SECTION 2. SEPARATION BENEFITS

In full satisfaction of all the Company's obligations under the Employment Agreement between the Company and the Executive, dated May 8, 2000 (the "Employment Agreement"), as well as any other compensatory agreement between the Company and the Executive, the Company agrees to provide the Executive with the following:

(i) SEVERANCE PAYMENTS. The Company shall provide the Executive with severance pay in the aggregate amount of $200,000, payable in four equal monthly installments of $50,000 each beginning one month following the Termination Date. All such payments will be subject to any applicable withholding tax. The Executive will have no rights to severance payments from the Company except as provided in this paragraph (i).

(ii) STOCK OPTIONS. All outstanding options to purchase shares of the Company's common stock identified as "current" under the heading "Options Vested" on Annex A hereto (the "Vested Options") shall remain exercisable for three months following the Termination Date under the terms of such options. The Executive shall have the right to exercise only the Vested Options, and such Vested Options shall be exercisable in a manner that is no less favorable than is made generally available to other executives of the Company.

(iii) HEALTH BENEFITS. The Company shall provide the Executive and his eligible dependants with continuation of heath, medical, hospitalization and other programs for a period of four months following the Termination Date at the same employee cost that applies to senior executives of the Company. Following the expiration of this four month period, the Executive will be entitled to any coverage required by applicable law.

(iv) ACCRUED RIGHTS. The Executive shall be entitled to all rights accrued and vested through the Termination Date under the terms of any of the Company's employee benefit plans, practices, programs and arrangements he participated in prior to the Termination Date (other than any severance benefits). The Executive shall also be entitled to (i) payment of his base salary at its current rate through the Termination Date and (ii) payment of any unreimbursed business expenses under the terms of the Employment Agreement.

SECTION 3. MISCELLANEOUS

(a) NO MITIGATION OR OFFSET. The Executive shall have no obligation to mitigate the Company's obligations provided under Section 2 hereof by seeking substitute employment or otherwise and there shall be no offset of the payments or benefits provided therein from compensation provided from future employment.

(b) PRESS RELEASE. The Company agrees to issue a press release in substantially the form annexed hereto as Annex B on the business day following the Termination Date.

(c) PERSONAL ITEMS. The Company will provide the Executive with a reasonable opportunity to remove his personal items from his office following the Termination Date.

(d) COMPLETE AGREEMENT. This Agreement constitutes the entire agreement between the parties and cancels and supersedes all other agreements and understandings, whether written or oral, between the parties which may have related to the subject matter contained in this Agreement, including, without limitation, the Employment Agreement. Notwithstanding the foregoing, this Agreement shall not cancel or supersede (i) any stock option agreements relating to the Vested Options, (ii) the Company's Amended and Restated Stock Option Plan (the "Option Plan"), as incorporated into such stock option agreements and (iii) Section 8 of the Employment Agreement which shall remain in full force and effect with the Termination Date treated as the date of the termination of the Employment Agreement. In the event of a conflict between a stock option agreement or the Option Plan and this Agreement, the terms of this Agreement shall control.

(e) AMENDMENT; WAIVER. No modification, amendment or waiver of any provisions of this Agreement shall be effective unless approved in writing by each of the parties hereto. The failure at any time to enforce any of the provisions of this Agreement shall in no way be construed as a waiver of such provisions and shall not affect the right of either party thereafter to enforce each and every provision hereof in accordance with its terms.

(f) GOVERNING LAW; JURISDICTION. This Agreement and performance under it, and all proceedings that may ensue from its breach, shall be construed in accordance with and under the laws of the State of Florida, and the parties submit to the jurisdiction of the courts of the State of Florida for purposes of any actions or proceedings that may be required to enforce this Agreement.

(g) COUNTERPARTS. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

PEDIATRIX MEDICAL GROUP, INC.

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

Title Chairman of the Board and Chief Executive Officer

EXECUTIVE

/s/ Kristen Bratberg

Kristen Bratberg

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EXHIBIT 21.1

Incorporation Name	Names under which Subsidiaries do Business	State of Incorporation
PMG Acquisition Corp.	None	Florida
Pediatrix Medical Group of Delaware, Inc.	None	Delaware
Pediatrix Medical Group of Florida, Inc.	None	Florida
Florida Regional Neonatal Associates, P.A.	None	Florida
Obstetrix Medical Group, Inc.	None	Florida
Obstetrix Medical Group of Delaware, Inc.	None	Delaware
Magella Healthcare Corporation	None	Delaware
Magella Nevada, LLC	None	Nevada
Magella Texas, LLC	None	Delaware
Magella Healthcare Group, L.P.	None	Texas
Mountain States Neonatology, Inc.	None	Idaho
Ozark Neonatal Associates, Inc.	Pediatrix Medical Group of Springfield	Missouri
Alaska Neonatology Associates, Inc.	None	Alaska
Pediatrix Medical Services, Inc.	Pediatrix Medical Group of Texas; Obstetrix Medical Group of Texas; Texas Perinatal Group; Magella Medical Associates; Texas Newborn Services; Perinatal Associates of Texas; Obstetrix Medical Group of Plano; Obstetrix Medical Group of Dallas; Baylor Prenatal Diagnosis Center at Garland	Texas
PMG Cardiology, Inc.	None	Florida

EXHIBIT 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Shareholders of
Pediatrix Medical Group, Inc.

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 33-97672, 333-07057, 333-07059, 333-07061, 333-37937, 333-77779, 333-85366, 333-101222 and 333-101225) and on Form S-4 (File No. 333-57164), as amended, of Pediatrix Medical Group, Inc. of our report dated February 5, 2003 relating to the consolidated financial statements and financial statement schedule of Pediatrix Medical Group, Inc., which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Fort Lauderdale, Florida
March 28, 2003

EXHIBIT 99.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Roger J. Medel, M.D., the Chief Executive Officer of Pediatrix Medical Group, Inc. hereby certify that (i) the Annual Report on Form 10-K for the year ended December 31, 2002 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 Annual Report on Form 10-K for the year ended December 31, 2002 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.

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

Roger J. Medel, M.D., M.B.A.
Chairman of the Board and Chief Executive Officer
(principal executive officer)
March 31, 2003

EXHIBIT 99.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Karl B. Wagner, the Chief Financial Officer of Pediatrix Medical Group, Inc. hereby certify that (i) the Annual Report on Form 10-K for the year ended December 31, 2002 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 Annual Report on Form 10-K for the year ended December 31, 2002 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.

By: /s/ KARL B. WAGNER

Karl B. Wagner
Chief Financial Officer
(principal financial officer)
March 31, 2003