



# 2020 ANNUAL REPORT

**MEDNAX**<sup>®</sup>  
National Medical Group



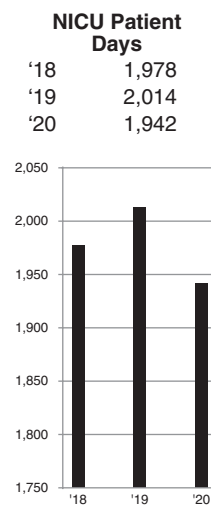
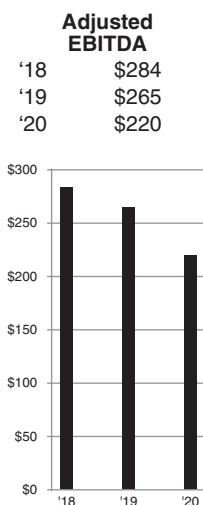
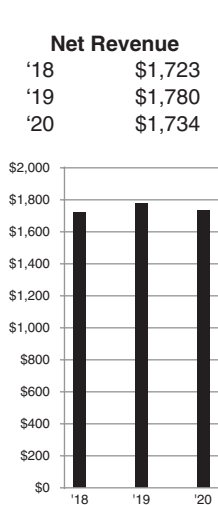
### Corporate Profile:

Mednax, Inc. is a national medical group comprised of the nation's leading providers of physician services. Physicians and advanced practitioners practicing as part of Mednax are reshaping the delivery of care within their specialties and subspecialties, using evidence-based tools, continuous quality initiatives, clinical research and telehealth programs to enhance patient outcomes and provide high-quality, cost-effective care. The Company was founded in 1979, and today, through its affiliated professional entities, Mednax provides services through a network of more than 2,300 physicians in 39 states and Puerto Rico. Additional information is available at [www.mednax.com](http://www.mednax.com).

## Selected Highlights

(in thousands, except per share and other operating data)

|  | 2020        | 2019        | 2018        |
|--|-------------|-------------|-------------|
| <b>Consolidated Income Statement Data:</b>   |             |             |             |
| Net revenue  | \$1,733,951 | \$1,779,759 | \$1,723,107 |
| Adjusted earnings before interest, taxes and depreciation and amortization ("Adjusted EBITDA") | 219,872     | 264,533     | 283,508     |
| (Loss) income from continuing operations   | (9,580)     | 42,208      | 121,514     |
| Diluted (loss) income from continuing operations per share ("EPS")                             | \$ (0.11)   | \$ 0.50     | \$ 1.33     |
| Adjusted diluted income from continuing operations per share ("Adjusted EPS")                  | \$ 0.95     | \$ 1.40     | \$ 1.68     |
| <b>Consolidated Balance Sheet Data:</b>  |             |             |             |
| Total assets   | \$3,347,948 | \$4,145,901 | \$5,937,481 |
| Total liabilities  | 2,600,231   | 2,646,905   | 2,849,597   |
| Total equity   | 747,717     | 1,498,996   | 3,087,884   |
| <b>Other Operating Data:</b>   |             |             |             |
| Number of physicians at end of year  | 2,331       | 2,215       | 2,111       |
| Number of births   | 773,313     | 792,040     | 793,918     |
| NICU admissions  | 109,572     | 114,864     | 113,485     |
| NICU patient days  | 1,942,487   | 2,014,166   | 1,977,516   |



[THIS PAGE INTENTIONALLY LEFT BLANK]

Shareholders:

The following annual report details Mednax's activities and results for the 2020 fiscal year.

I join my fellow Mednax Directors and executives in applauding and thanking all of our affiliated clinicians and non-clinical associates for their dedication to our mission to *Take great care of the patient, every day and in every way™*, during one of the most challenging periods for our company, our country and the world. It is through this dedication that Mednax was able to meet the challenges of the COVID-19 pandemic, while at the same time undertaking a thorough transformation of our company.

As we look to 2021 and beyond, Mednax is now completely focused on providing the best care possible to women, newborns and children through its Pediatrix and Obstetrix medical groups. I fully believe that this focus will enable us to provide the best support for our affiliated clinicians; to be valuable partners to health systems and payors; and to be the organization of choice for any clinician dedicated to women's and children's healthcare services.

We recently announced our entry into pediatric urgent and primary care. We believe this will provide a natural extension of what we do by building on our hospital, practice, clinician and patient relationships. We foresee a steady growth path for Mednax by expanding these deep relationships across pediatric and women's health subspecialties in the many communities we serve.

My fellow Mednax Directors and I also believe our complete focus on women's and children's care will provide the best value for shareholders and other stakeholders. I am especially optimistic that we will be able to pursue our goals during a return of our country to a vibrant, post-COVID way of life that can be a rewarding experience for all.

I thank you for your continued support of our efforts.



Mark S. Ordan  
Chief Executive Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

**Form 10-K**

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

For the fiscal year ended December 31, 2020

**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 001-12111

**MEDNAX, INC.**

(Exact name of registrant as specified in its charter)

**FLORIDA**  
(State or other jurisdiction of  
incorporation or organization)

**1301 Concord Terrace,  
Sunrise, Florida**  
(Address of principal executive offices)

**26-3667538**  
(I.R.S. Employer  
Identification No.)

**33323**  
(Zip Code)

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

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

| Title of Each Class                     | Trading Symbol | Name of Each Exchange on Which Registered |
|---|----------------|---|
| Common Stock, par value \$.01 per share | MD             | New York Stock Exchange                   |

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Exchange Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|   |  |
|---|--|
| Large accelerated filer <input checked="" type="checkbox"/> | Accelerated filer <input type="checkbox"/>         |
| Non-accelerated filer <input type="checkbox"/>              | Smaller reporting company <input type="checkbox"/> |
|   | Emerging growth company <input type="checkbox"/>   |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of shares of Common Stock of the registrant held by non-affiliates of the registrant on June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, was \$1,251,965,108 based on a \$17.10 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 February 12, 2021 was 85,631,836.

**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 2021 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 the Form 10-K, each document incorporated by reference herein is deemed not to be filed as part hereof.

**Mednax, Inc.**  
**ANNUAL REPORT ON FORM 10-K**  
**For the Year Ended December 31, 2020**  
**INDEX**

| <b>PART I</b>   | <b><u>Page</u></b> |
|---|--------------------|
| Item 1. Business . . . . .  | 3                  |
| Item 1A. Risk Factors . . . . .   | 27                 |
| Item 1B. Unresolved Staff Comments . . . . .  | 49                 |
| Item 2. Properties . . . . .  | 49                 |
| Item 3. Legal Proceedings . . . . .   | 49                 |
| Item 4. Mine Safety Disclosures . . . . .   | 49                 |
| <br><b>PART II</b>  |                    |
| Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer<br>Purchases of Equity Securities . . . . . | 50                 |
| Item 6. Selected Financial Data . . . . .   | 52                 |
| Item 7. Management’s Discussion and Analysis of Financial Condition and Results of<br>Operations . . . . .                        | 54                 |
| Item 7A. Quantitative and Qualitative Disclosures About Market Risk . . . . .   | 73                 |
| Item 8. Financial Statements and Supplementary Data . . . . .   | 74                 |
| Item 9. Changes in and Disagreements with Accountants on Accounting and Financial<br>Disclosure . . . . .                         | 107                |
| Item 9A. Controls and Procedures. . . . .   | 107                |
| Item 9B. Other Information . . . . .  | 107                |
| <br><b>PART III</b>   |                    |
| Item 10. Directors, Executive Officers and Corporate Governance . . . . .   | 109                |
| Item 11. Executive Compensation . . . . .   | 109                |
| Item 12. Security Ownership of Certain Beneficial Owners and Management and Related<br>Stockholder Matters . . . . .              | 109                |
| Item 13. Certain Relationships and Related Transactions, and Director Independence . . . . .                                      | 109                |
| Item 14. Principal Accountant Fees and Services . . . . .   | 110                |
| <br><b>PART IV</b>  |                    |
| Item 15. Exhibits, Financial Statement Schedule . . . . .   | 111                |
| Item 16. Form 10-K Summary . . . . .  | 115                |

**FORWARD-LOOKING STATEMENTS**

Certain information included or incorporated by reference in this Form 10-K may be deemed to be “forward-looking statements” which may include, but are not limited to, statements relating to our objectives, plans and strategies, and all statements (other than statements of historical facts) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future. These statements are often characterized by terminology such as “believe,” “hope,” “may,” “anticipate,” “should,” “intend,” “plan,” “will,” “expect,” “estimate,” “project,” “positioned,” “strategy” and similar expressions, and are based on assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. Any forward-looking statements in this Form 10-K are made as of the date hereof, and we undertake no duty to update or revise any such statements, whether as a result of new information, future events or otherwise. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Important factors that could cause actual results, developments and business decisions to differ materially from forward-looking statements are described in this Form 10-K, including the risks set forth under “Risk Factors” in Item 1A.



As used in this Form 10-K, unless the context otherwise requires, the terms “Mednax,” the “Company,” “we,” “us” and “our” refer to the parent company, Mednax, Inc., a Florida corporation, and the consolidated subsidiaries through which its businesses are actually conducted (collectively, “MDX”), together with MDX’s affiliated business corporations or professional associations, professional corporations, limited liability companies and partnerships (“affiliated professional contractors”). Certain subsidiaries of MDX have contracts with our affiliated professional contractors, which are separate legal entities that provide physician services in certain states and Puerto Rico.

## **PART I**

### **ITEM 1. BUSINESS**

#### **OVERVIEW**

Mednax is a leading provider of physician services including newborn, maternal-fetal, pediatric cardiology and other pediatric subspecialty care. Our national network is comprised of affiliated physicians who provide clinical care in 39 states and Puerto Rico. At December 31, 2020, our national network comprised over 2,300 affiliated physicians, including 1,320 physicians who provide neonatal clinical care, primarily within hospital-based neonatal intensive care units (“NICUs”), to babies born prematurely or with medical complications. We have over 425 affiliated physicians who provide maternal-fetal and obstetrical medical care to expectant mothers experiencing complicated pregnancies primarily in areas where our affiliated neonatal physicians practice. Our network also includes other pediatric subspecialists, including over 245 physicians providing pediatric intensive care, 100 physicians providing pediatric cardiology care, 175 physicians providing hospital-based pediatric care, 35 physicians providing pediatric surgical care and urology services, 10 physicians providing pediatric ear, nose and throat services, and five physicians providing pediatric ophthalmology. Mednax divested its anesthesiology services medical group on May 6, 2020 and its radiology services medical group on December 15, 2020.

Mednax, Inc. was incorporated in Florida in 2007 and is the successor to Pediatrix Medical Group, Inc., which was incorporated in Florida in 1979. Our principal executive offices are located at 1301 Concord Terrace, Sunrise, Florida 33323 and our telephone number is (954) 384-0175.

#### **OUR PHYSICIAN SPECIALTIES AND SERVICES**

The following discussion describes our physician specialties and the care that we provide:

##### **Neonatal Care**

We provide clinical care to babies born prematurely or with complications within specific units at hospitals, primarily NICUs, through our network of affiliated neonatal physician subspecialists (“neonatologists”), neonatal nurse practitioners and other pediatric clinicians who staff and manage clinical activities at over 380 NICUs in 36 states and Puerto Rico. Neonatologists are board-certified, or eligible-to-apply-for-certification, physicians who have extensive education and training for the care of babies born prematurely or with complications that require complex medical treatment. Neonatal nurse practitioners are registered nurses who have advanced training and education in assessing and treating the healthcare needs of newborns and infants as well as managing the needs of their families.

We partner with our hospital clients in an effort to enhance the quality of care delivered to premature and sick babies. Some of the nation’s largest and most prestigious hospitals, including both not-for-profit and for-profit institutions, retain us to staff and manage their NICUs. Our affiliated neonatologists generally provide 24-hours-a-day, seven-days-a-week coverage in NICUs, support the local referring physician community and are available for consultation in other hospital departments. Our hospital partners benefit from our experience in managing complex intensive care units. Our neonatal physicians interact with colleagues across the country

through an internal communications system to draw upon their collective expertise in managing challenging patient-care issues. Our neonatal physicians also work collaboratively with maternal-fetal medicine subspecialists to coordinate the care of mothers experiencing complicated pregnancies and their fetuses.

### **Maternal-Fetal Care**

We provide inpatient and office-based clinical care to expectant mothers and their unborn babies through our affiliated maternal-fetal medicine subspecialists as well as obstetricians and other clinicians, such as maternal-fetal nurse practitioners, certified nurse mid-wives, ultrasonographers and genetic counselors. Maternal-fetal medicine subspecialists are board-certified, or eligible-to-apply-for-certification, obstetricians who have extensive education and training for the treatment of high-risk expectant mothers and their fetuses. Our affiliated maternal-fetal medicine subspecialists practice primarily in metropolitan areas where we have affiliated neonatologists to provide coordinated care for women with complicated pregnancies whose babies are often admitted to a NICU upon delivery. We believe continuity of treatment from mother and developing fetus during the pregnancy to the newborn upon delivery has improved the clinical outcomes of our patients.

### **Pediatric Cardiology Care**

We provide inpatient and office-based pediatric cardiology care of the fetus, infant, child and adolescent patient with congenital heart defects and acquired heart disease, as well as adults with congenital heart defects through our affiliated pediatric cardiologist subspecialists and other related clinical professionals such as pediatric nurse practitioners, echocardiographers, other diagnostic technicians, and exercise physiologists. Pediatric cardiologists are board-certified, or eligible-to-apply for certification, pediatricians who have additional education and training in congenital heart defects and pediatric acquired heart disorders.

We provide specialized cardiac care to the fetus, neonatal and pediatric patients with congenital and acquired heart disorders, as well as adults with congenital heart defects, through scheduled office visits, hospital rounds and immediate consultation in emergency situations. Our affiliated pediatric cardiologists work collaboratively with neonatologists and maternal-fetal medicine subspecialists to provide a coordinated continuum of care.

### **Other Pediatric Subspecialty Care**

Our network includes other pediatric subspecialists such as pediatric intensivists, pediatric hospitalists, pediatric surgeons, pediatric ophthalmologists and pediatric ear, nose and throat physicians. In addition, our affiliated physicians seek to provide support services in other areas of hospitals, particularly in the pediatric emergency room, labor and delivery area, and nursery and pediatric departments, where immediate accessibility to specialized care may be critical.

***Pediatric Intensive Care.*** Pediatric intensivists are hospital-based pediatricians with additional education and training in caring for critically ill or injured children and adolescents. Our affiliated physicians who provide this clinical care staff and manage pediatric intensive care units (“PICUs”) at over 70 hospitals.

***Pediatric Hospitalists.*** Pediatric hospitalists are hospital-based pediatricians specializing in inpatient care and management of acutely ill children. Our affiliated hospital-based physicians provide this inpatient pediatric and newborn care in PICUs, NICUs and pediatric emergency rooms at approximately 55 hospitals.

***Pediatric Surgery.*** Pediatric surgeons provide specialized care for patients ranging from newborns to adolescents, for all problems or conditions that require surgical intervention, and often have particular expertise in the areas of neonatal, prenatal, trauma, and pediatric oncology. Our affiliated physicians in this subspecialty include pediatric urologists, pediatric plastic and craniofacial surgeons and general and thoracic pediatric surgeons. Areas of particular expertise include management of neonatal and congenital anomalies, prenatal counseling, trauma management, pediatric oncology, gastrointestinal surgery, as well as common pediatric surgical conditions.

***Pediatric Urology.*** Pediatric urologists are specialized pediatric surgeons who diagnose, treat and manage children’s urinary and genital problems. Our affiliated physicians provide consults for all pediatric and fetal genitourinary disorders; bladder, kidney and genitalia reconstructive and corrective surgery; cystoscopy; circumcision; ultrasound; and urinalysis services to children.

***Pediatric Ear, Nose and Throat (“ENT”).*** Pediatric ENT physicians treat conditions that affect a child’s ear, nose, throat and neck. Our affiliated physicians in this subspecialty provide all aspects of ear, nose and throat medical, audiology and surgical services, including ear tubes, tonsillectomies and sinus surgery.

***Pediatric Ophthalmology.*** Pediatric ophthalmologists focus on the development of the visual system and various diseases that disrupt visual development in children. Our affiliated physicians in this subspecialty specialize in retinopathy of prematurity screening and visual care consulting services.

***Other Newborn and Pediatric Care.*** Because our affiliated physicians and advanced nurse practitioners generally provide hospital-based coverage, they are situated to provide highly specialized care to address medical needs that may arise during a baby’s hospitalization. For example, as part of our ongoing efforts to support and partner with hospitals and the local referring physician community, our affiliated neonatologists, pediatric hospitalists and advanced nurse practitioners provide in-hospital nursery care to newborns through our newborn nursery program. This program is made available for babies during their hospital stay, which in the case of healthy babies typically consists of evaluation and observation, following which they are referred, and their hospital records are provided, to their pediatricians or family practitioners for follow-up care.

***Newborn Hearing Screening Program.*** Our affiliated physicians also oversee our newborn hearing screening program. Since we launched this program in 1994, we believe that we have become the largest provider of newborn hearing screening services in the United States. In 2020, we screened over 965,000 babies for potential hearing loss at 465 hospitals across the nation. Over 40 states either require newborns to be screened for potential hearing loss before being discharged from the hospital or require that parents be offered the opportunity to submit their newborns to hearing screens. We contract or coordinate with hospitals to provide newborn hearing screening services.

## **Clinical Research, Education, Quality and Safety**

As part of our ongoing commitment to improving patient care through evidence-based medicine, we also conduct clinical research, monitor clinical outcomes and implement clinical quality initiatives with a view to improving patient outcomes, shortening the length of hospital stays and reducing long-term health system costs. Our physician-centric approach to clinical research and continuous quality improvement has demonstrated improvements in clinical outcomes, while reducing the costs of care associated with complications as well as variability in protocols. We provide extensive continuing medical education and continuing nursing education to our affiliated clinicians in an effort to ensure that they have access to current treatment methodologies, national best practices and evidence-based guidelines. We believe that referring and collaborating physicians, hospitals, third-party payors and patients all benefit from our clinical research, education, quality and safety initiatives.

## **DEMAND FOR OUR SERVICES**

***Hospital-Based Care.*** Hospitals generally must provide cost-effective, quality care in order to enhance their reputations within their communities and desirability to patients, referring and collaborating physicians and third-party payors. In an effort to improve outcomes and manage costs, hospitals typically employ or contract with physician specialists to provide specialized care in many hospital-based units or settings. Hospitals traditionally staff these units or settings through affiliations with local physician groups or independent practitioners. However, management of these units and settings presents significant operational challenges, including variable admissions rates, increased operating costs, complex reimbursement systems and other administrative burdens. As a result, some hospitals choose to contract with physician organizations that have the clinical quality

initiatives, information and reimbursement systems and management expertise required to effectively and efficiently operate these units and settings in the current healthcare environment. With continuing shifts to value-based reimbursement models, we anticipate that hospitals will continue to seek out experienced organizations with documented success in improving quality indicators and reducing costs. Demand for hospital-based physician services, including neonatology, is determined by a national market in which qualified physicians with advanced training compete for hospital contracts.

***Neonatal Medicine.*** Of the just under 4 million births in the United States annually, we estimate that 14%-15% require NICU admission. Numerous institutions conduct research to identify potential causes of premature birth and medical complications that often require NICU admission. Some common contributing factors include the presence of hypertension or diabetes in the mother, lack of prenatal care, complications during pregnancy, drug and alcohol abuse and smoking or poor nutritional habits during pregnancy. Babies admitted to NICUs typically have an illness or condition that requires the care of a neonatologist. Babies who are born prematurely or have a low birth weight often require neonatal intensive care services because of an increased risk for medical complications. We believe obstetricians generally prefer to perform deliveries at hospitals that provide a full complement of labor and delivery services, including a NICU staffed by board-certified, or eligible-to-apply-for-certification, neonatologists. Because obstetrics is a significant source of hospital admissions, hospital administrators have responded to these demands by establishing NICUs and contracting with independent neonatology group practices, such as our affiliated professional contractors, to staff and manage these units. As a result, NICUs within the United States tend to be concentrated in hospitals with higher volumes of births. There are approximately 6,000 board-certified neonatologists in the United States.

***Maternal-Fetal Medicine.*** Expectant mothers with pregnancy complications often seek or are referred by their obstetricians to maternal-fetal medicine subspecialists. These subspecialists provide inpatient and office-based care to women with conditions such as diabetes, heart disease, hypertension, multiple gestation, recurrent miscarriage, family history of genetic diseases, suspected fetal birth defects and other complications during their pregnancies. We believe that improved maternal-fetal care has a positive impact on neonatal outcomes. Data on neonatal outcomes demonstrates that, in general, the likelihood of mortality or an adverse condition or outcome (referred to as “morbidity”) is reduced the longer a baby remains in the womb. There are approximately 2,500 board-certified maternal-fetal medicine subspecialists in the United States.

***Pediatric Cardiology Medicine.*** Pediatric cardiologists provide inpatient and office-based cardiology care of the fetus, infant, child, and adolescent with congenital heart defects and acquired heart disease, as well as providing care to adults with congenital heart defects. We estimate that approximately one in every 125 babies is born with some form of heart defect. With advancements in care, there are approximately 1.4 million adults in the United States today living with congenital heart disease. There are approximately 3,000 board-certified pediatric cardiologists in the United States.

***Other Pediatric Subspecialty Medicine.*** Other areas of pediatric subspecialty medicine are closely associated with maternal-fetal-newborn medical care. For example, pediatric intensivists are subspecialists who care for critically ill or injured children and adolescents in PICUs. There are approximately 2,500 board-certified pediatric intensivists in the United States. As another example, pediatric hospitalists are pediatricians who provide care in many hospital areas, including labor and delivery and the newborn nursery. In addition, pediatric surgeons provide specialized care for patients ranging from newborns to adolescents, for all problems or conditions affecting children that require surgical intervention, and often have particular expertise in the areas of neonatal, prenatal, trauma, and pediatric oncology. There are approximately 1,100 board-certified pediatric surgeons in the United States. Pediatric urologists are specialized pediatric surgeons who diagnose, treat and manage children’s urinary and genital problems. There are approximately 400 board-certified pediatric urologists in the United States.

***Physician Practice Administration.*** Administrative demands and cost containment pressures from a number of sources, principally commercial and government payors, make it increasingly difficult for physicians to

effectively manage patient care, remain current on the latest procedures and efficiently administer non-clinical activities. As a result, we believe that physicians remain receptive to being affiliated with larger organizations that reduce administrative burdens, achieve economies of scale and provide value-added clinical research, education and quality initiatives. By relieving many of the burdens associated with the management of a subspecialty group practice, we believe that our practice administration services permit our affiliated physicians to focus on providing quality patient care and thereby contribute to improving patient outcomes, ensuring appropriate length of hospital stays and reducing long-term health system costs. In addition, our national network of affiliated physician practices, modeled around a traditional group practice structure, is managed by a non-clinical professional management team with proven abilities to achieve significant operating efficiencies in providing administrative support systems, interacting with physicians, hospitals and third-party payors, managing information systems and technologies, and complying with applicable laws, rules and regulations.

## OUR BUSINESS STRATEGY

Our business objective is to enhance our position as a leading provider of physician and other complementary healthcare services. The key elements of our strategy to achieve this objective are:

- ***Build upon core competencies.*** We have developed significant administrative expertise relating to our practice physician services. We have also facilitated the development of a clinical approach to the practice of medicine among our affiliated physicians through clinical data warehouses that include research, education and quality initiatives intended to advance the practice of medicine and care, improve the quality of care provided to our patients and reduce long-term health system costs. Analysis of the data within our clinical data warehouses across our neonatology and other pediatric subspecialty services allows us to provide feedback to our physicians and hospital partners and to develop and implement best practices, all with the goal of improving outcomes, creating efficiencies and ensuring patient satisfaction. As healthcare organizations are expected to increasingly be held accountable for the quality and cost of the care they provide, we believe that our ability to capture this data within our clinical data warehouses adds value to our patients and our hospital and physician partners.
- ***Utilize enhanced technology solutions.*** We are introducing several technology-enabled solutions that we believe will improve the efficiency of the work our affiliated physicians do each day. These include a more streamlined charge capture system, a cloud-based image access and storage solution, continued development of our cloud-based neonatology-specific notes system and upgrades to our office-based practices electronic health record system that are designed to be better for our physicians and improve the patient-facing portal for our patients and their families. We plan to continue to find ways to supply real time data to our affiliated physician practices so that they can see, and more importantly manage, patient volumes.
- ***Promote same-unit and organic growth.*** We seek opportunities for increasing revenue from our hospital- and office-based operations. For example, our affiliated hospital-based neonatal, maternal-fetal and other pediatric physicians are well situated to, and, in some cases, provide physician services in other departments, such as pediatric emergency rooms, newborn nurseries, or in situations where immediate accessibility to specialized obstetric and pediatric care may be critical. Our hospital-based and office-based physicians continue to pursue an organic growth strategy that involves working with our hospital partners to develop integrated service programs for which we become a provider of solutions across the maternal-fetal, newborn, pediatric continuum of care. An integrated program results in a broader offering of care across our specialties and permits the extension of our service lines in our markets. We have successfully executed this organic growth strategy and market partnership in many metropolitan areas and intend to continue this growth initiative in the future. In addition, we market our capabilities to obstetricians, pediatricians and family physicians to attract referrals to our hospital-based units and our office-based practices. We also market the services of our affiliated physicians to other hospitals to attract maternal, neonatal and pediatric transport admissions. In addition, we may pursue new contractual arrangements with hospitals, including possibly through joint ventures, either where we currently provide or do not currently provide physician services.

Additionally, with the goal of further expanding our organic growth strategy, our national sales team pursues opportunities across our service lines by employing a targeting strategy with a specific focus and prioritization. This sales team works with existing hospital and other healthcare partners and also focuses on building new relationships with hospitals and other service providers to which we do not currently provide services in order to offer clinical and other solutions and respond to requests for proposals. Our growth teams are managed under one collaborative group that addresses acquisition and organic growth opportunities with the shared goal of Mednax being viewed by hospitals and other partners as a multi-specialty health solutions partner across all of its women's health and pediatrics service lines. The growth team partners with the operational leadership across each of our medical groups to execute our overall growth strategy.

- ***Adaptation and Expansion of Telehealth.*** Our robust telehealth programs offer the latest in telemedicine, which is the use of telecommunication and information technology in order to provide clinical healthcare at a distance. Even before the COVID-19 pandemic, we had focused on expanding our services in telemedicine as we have long expected that many pediatric subspecialties, as well as maternal-fetal medicine, will benefit in the future from having a robust platform in telemedicine. Telemedicine services are well documented as high quality, safe and efficient means of expanding physician services into metropolitan and rural communities. We have expanded our services to provide these remote programs to our hospital partners. We believe telehealth reduces overall healthcare spending, improves access to quality care and facilitates collaboration with specialists while improving patient engagement and satisfaction. As a result of these benefits, we believe these programs enhance the standing of our hospital partners while creating another portal of entry of pediatric patients to our inpatient service lines.
- ***Acquire physician practice groups.*** We continue to seek to expand our operations by acquiring established physician practices in our core physician specialties and pursuing complementary pediatric subspecialty physician groups outside of our core specialties when appropriate. During 2020, we added one pediatric subspecialty practice. We currently expect a modest level of acquisition activity during 2021.
- ***Strengthen and broaden relationships with our partners.*** By managing many of the operational challenges associated with physician practices, encouraging clinical research, education, quality, and safety initiatives, and promoting timely intervention by our physicians, we believe that our business model is focused on improving the quality of care delivered to patients, promoting the appropriate length of their hospital stays and optimizing efficient use of health system resources. We believe that referring and collaborating physicians, hospitals, third-party payors and patients all benefit to the extent that we are successful in implementing our business model. In addition, we plan to continue to concentrate efforts in becoming more responsive and proactive in broadening our existing hospital relationships to expand the scope of services that we provide across all specialties. In the fall of 2020, we began focusing our efforts in this area around a market-based approach and in each geographic area where we operate we consider how we can expand our existing hospital and health system relationships and form new ones. We believe this will be critical as hospitals and health systems seek to expand their service offerings and as the broader healthcare market seeks new solutions to operate more efficiently.

We also believe one of the greatest predictors of success in our partnerships at the hospital and health system level is a high degree of strategic alignment between our clinical leaders and our partners. This requires our clinicians to hone a skill set beyond just the practice of medicine. To this end, we are relaunching our Clinical Leadership Development Program where our affiliated clinicians from across the organization will participate in a variety of leadership workshops to provide them with the best tools to foster positive productive relationships with our valued partners.

## **CLINICAL RESEARCH, EDUCATION, QUALITY AND SAFETY**

As part of our patient focus and ongoing commitment to improving patient care through evidenced-based medicine, we engage in clinical research, continuous quality improvement, safety and education initiatives. We

discover, understand and teach healthcare practices that enhance the abilities of clinicians to deliver quality care, thereby contributing to better patient outcomes and reduced long-term health care costs. These initiatives benefit our patients, clinicians, referring and collaborating physicians, hospital partners and third-party payors. We believe that these initiatives help us, among other things, to enhance the value of our services, attract new and retain high-quality clinicians, improve clinical operations and enhance practice communication.

- **Clinical Research.** We conduct clinical research to discover ways to improve clinical care for our patients and share our discoveries throughout the medical community through submissions to peer-reviewed literature. To help facilitate and support research efforts, Mednax established a Research Advisory Committee (“RAC”). The goal of the RAC is to design, implement and maintain a program for clinical research oversight and support that enables our practices to conduct research that is safe, effective, financially viable and legally compliant, while optimizing research opportunities. The RAC’s multi-disciplinary approach involves the collaboration of both clinical and business professionals, including finance, legal and compliance, and has ultimately enhanced our research efforts and improved overall process flow. With participating clinicians located throughout the country, the RAC supports a comprehensive scope of research efforts, allowing for a more in-depth look at our specialties. This nationwide perspective allows us to better anticipate future needs and opportunities.
- **Quality and Safety.** Through the leadership of our affiliated clinicians, we have cultivated a culture of continuous quality improvement and safety, which is the cornerstone of our success and helps us to fulfill our mission. Our team of clinical experts leads and provides oversight for several national quality and safety programs across various specialties and subspecialties.
  - **Continuous Quality Improvement (“CQI”).** CQI initiatives are important for all our physician specialties. As part of our dedication to improving quality across our affiliated practices, we provide our clinicians with the opportunity to collaborate and share best practices and facilitate access to valuable information, resources and professional development tools. From these collaborations, our affiliated physicians can identify areas for improvement, and then systematically monitor, study, learn, and implement change. There are several complex initiatives that are derived and based on our long-standing CQI efforts, such as our 100,000 Babies and 100,000 Women Campaigns, our value-based care initiatives and several clinical quality collaboratives. Our quality metrics are analyzed to include standard clinical outcome reporting, trend analysis and threshold performance, which are provided to our affiliated physicians. The quality committees and medical directors of the practices manage quality improvement programs and drive best practices that are adapted to the needs of the local care setting.
  - **Patient Safety Organization (“PSO”).** We have a federally-listed PSO, the mission of which is to improve the quality and safety of care rendered by our clinical providers through the collection and analysis of quality data. As a federally-listed PSO, our mission to improve the safety of care rendered is supported by the dissemination of best practices information and implementation of patient safety programs. Our Women’s and Children’s National High Reliability Organization program aims to provide “Just Culture” training to our clinicians. The complex curriculum has been customized to meet our affiliated physician practices’ needs and is based on principles outlined by the Agency for Healthcare Research and Quality (“AHRQ”), Institute for Healthcare Improvement, National Patient Safety Foundation and Team STEPPS, the teamwork system developed by the AHRQ and the Department of Defense.
  - **Medical Simulation.** Practicing critical decision-making, communication, task and teamwork skills with *in situ* scenarios promotes optimized clinical performance for high-risk, low-volume critical situations. To meet the needs of our health care providers and hospital partners, Mednax offers a variety of customized simulation programs with the aim of instilling competence and confidence with one goal in mind: improved outcomes. Our Simulation Program has provisional accreditation by the Society for Simulation in Healthcare, a required first step towards attaining full accreditation, and currently offers highly interactive programs for neonatology and hospital-

based medicine practices. Medical simulation is proven as a performance improvement method and enhances communication and improves patient outcomes.

- **Education.** We provide extensive continuing medical education and continuing nursing education to our affiliated clinicians to ensure that they have access to current treatment methodologies, national best practices and evidence-based guidelines. As an Accreditation Council for Continuing Medical Education accredited provider, we offer a variety of live and online educational credit opportunities that can be accessed on demand by our providers and are in synergy with latest research publications and healthcare industry standards. We are expanding our learning materials to new subspecialties. In addition, each year, hundreds of healthcare providers worldwide take advantage of educational programs hosted by Mednax. We believe that the number of clinicians both nationally and internationally who participate in these activities is evidence of the depth and breadth of our clinical expertise and position as an industry leader.
- **Innovation.** We believe collaborative innovation is a pathway towards excellence in research, education, quality and safety. Because of the critical role innovation plays, our team strives to integrate the latest technological advances, artificial or augmented intelligence, genomics and mobile applications into everyday care. Tele- and mobile health, virtual reality, next generation sequencing, point-of-care diagnostics and advanced data analytics are currently shaping the future of medicine. Our team is actively engaged in integrating the latest innovations that can optimize clinical care delivery and augment our clinical research initiatives with the goal of further optimizing patient outcomes.

We believe that these initiatives have been enhanced by our integrated national presence together with our clinical and management information systems, which are an integral component of our clinical research and education activities. See “Our Information Systems.”

## OUR INFORMATION SYSTEMS

We maintain several information systems that support our day-to-day operations, ongoing clinical initiatives and business analysis.

- **BabySteps®.** BabySteps is a clinical electronic documentation system used by our affiliated neonatal physicians and other clinicians to record clinical progress notes and certain laboratory reports and provides a decision tree to assist them in certain situations with the selection of appropriate billing codes. BabySteps is in the process of moving to a cloud-based application known as the Mednax Clinical App (“MCA”). The NICU version will be referred to as “BabySteps 2.0,” but this advance provides an opportunity to expand use of the application to our other hospital-based specialties. MCA/BabySteps 2.0 is currently being piloted in certain locations with a plan to roll it out across additional NICUs in 2021. The plan for broader use across other hospital-based specialties is under development.
- **Clinical Data Warehouse.** BabySteps enables our affiliated practices to capture a consistent set of clinical information about the patients we treat. We de-identify and transfer data from our electronic health records that reside in BabySteps to our “clinical data warehouse” that since inception has accumulated clinical information on more than 1.6 million patients and over 29 million patient days. With comprehensive reporting tools, our physicians are able to use this information to benchmark outcomes, enhance clinical decision-making and advance best practices at the bedside. Using a variety of clinical performance markers, our de-identified data warehouse also helps us track medication and procedure interactions, link treatments to outcomes and identify opportunities to enhance patient outcomes. Our clinical data warehouse also helps us to identify which prospective clinical trials are most important and allows us to monitor the impact of our continuous quality improvement initiatives.
- **Nextgen®.** We have licensed the Nextgen Electronic Medical Record (“EMR”) and Electronic Patient Management (“EPM”) system for our affiliated office-based physicians and other clinicians to record clinical documentation related to their patients and to manage the revenue cycle for our office-based



practices. This system has the ability to provide benefits to our office-based practices that are similar to what BabySteps provides to our neonatology practices, including decision trees to assist physicians with the selection of compliant billing codes, promotion of consistent documentation, and data for research and education. We are continuing the process of implementing EMR and EPM throughout our office-based practices.

- **Charge Capture.** Our electronic charge capture system is used to appropriately record and bill for pediatric intensive care clinicians, hospitalist clinicians and other clinical care providers. We also use administrative data derived from this system to drive quality assurance and quality improvement programs.
- **Mednax Learning Center®.** In addition to providing continuing education, our web-based education platforms also function as important educational adjuncts to our affiliated physician groups, providing a rich source of ongoing medical education for our physicians and enabling physicians to discuss cases with one another through various clinical resources.

Our management information systems are also an integral element of the billing and reimbursement process. We maintain systems that provide for electronic data interchange with payors that accept electronic submissions, including electronic claims submission, insurance benefits verification and claims processing and remittance advice, which enable us to track numerous and diverse third-party payor relationships and payment methods. Our information systems provide scalability and flexibility as payor groups upgrade their payment and reimbursement systems. We continually seek improvements to our systems to expedite the overall process, streamline information gathering from our clinical systems and improve efficiencies in the reimbursement process.

We maintain additional information systems designed to improve operating efficiencies of our affiliated practice groups, reduce physicians' paperwork requirements and facilitate interaction among our affiliated physicians and their colleagues regarding patient care issues. Following the acquisition of a physician practice group, we implement systematic procedures to improve the acquired group's operating and financial performance. One of our first steps is to convert a newly acquired group to our broad-based management information system. We also maintain a database management system to assist our business development and recruiting departments to identify potential practice group acquisitions and physician candidates.

## **PHYSICIAN PRACTICE GROUP ADMINISTRATION**

We provide multiple administrative services to support the practice of medicine by our affiliated physicians and strive to improve operating efficiencies of our affiliated practice groups.

- **Unit Management.** A senior physician practicing medicine in each physician specialty or subspecialty practice that we manage acts as the medical director for that practice. Each medical director is responsible for the overall management of his or her practice, including staffing and scheduling, quality of care, professional discipline, utilization review, coordinating physician recruitment and monitoring of the financial success within the practice. Medical directors also serve as a liaison with hospital administration, other physicians and the community.
- **Staffing and Scheduling.** We assist with staffing and scheduling physicians and advanced practice nurses within the units and practices that we manage. For example, each NICU is staffed by at least one specialist on site or available on call. We are responsible for managing and coordinating the process for the salaries and benefits paid and provided to our affiliated physicians and practitioners. In addition, we employ, compensate and manage all non-medical personnel for our affiliated physician groups.
- **Recruiting and Credentialing.** We have significant experience in locating, qualifying, recruiting and retaining experienced physicians. We maintain an extensive nationwide database of neonatologists, maternal-fetal medicine physicians, and other pediatric subspecialty physicians. Our medical directors and physician leaders play a central role in the recruiting and interviewing process before candidates

are introduced to other practice group physicians and hospital administrators. We verify the credentials, licenses and references of all prospective affiliated physician candidates. In addition to our database of physicians, we recruit nationally through trade advertising, referrals from our affiliated physicians and attendance at conferences.

- **Billing, Collection and Reimbursement.** We assume responsibility for assisting our affiliated physicians with contracting with third-party payors. We are responsible for billing, collection and reimbursement for services rendered by our affiliated physicians. In all instances, however, we do not assume responsibility for charges relating to services provided by hospitals or other physicians with whom we collaborate. Such charges are separately billed and collected by the hospitals or other physicians. We provide our affiliated physicians and other clinicians with a training curriculum that emphasizes detailed documentation of and compliant coding protocols for all procedures performed and services provided, and we provide comprehensive internal auditing processes, all of which are designed to achieve compliant coding, billing and collection of revenue for physician services. Generally, our billing and collection operations are conducted from our business offices located across the United States and in Puerto Rico, as well as our corporate offices.
- **Risk Management.** We maintain a risk management program focused on reducing risk, including the identification and communication of potential risk areas to our medical affairs staff. We maintain professional liability coverage for our national group of affiliated healthcare professionals. Through our risk management and medical affairs staff, we conduct risk management programs for loss prevention and early intervention in order to prevent or minimize professional liability claims.
- **Compliance.** We provide a multi-faceted compliance program that is designed to assist our affiliated practice groups in understanding and complying with the increasingly complex laws, rules and regulations that govern the provision of healthcare services.
- **Other Services.** We also provide management information systems, facilities management, legal support, marketing support and other services to our affiliated physicians and affiliated practice groups.

## RELATIONSHIPS WITH OUR PARTNERS

Our business model, which has been influenced by the direct contact and daily interaction that our affiliated physicians have with their patients, emphasizes a patient-focused clinical approach that addresses the needs of our various “partners,” including hospitals, third-party payors, referring and collaborating physicians, affiliated physicians and, most importantly, our patients.

### Hospitals and Other Customers

Our relationships with our hospital partners and other customers are critical to our operations. Hospitals control access to their units and operating rooms through the awarding of contracts and hospital privileges. We have been retained by approximately 415 hospitals to staff and manage clinical activities within specific hospital-based units and other departments. Our affiliated physicians are important components of obstetric, pediatric and surgical services provided at hospitals. Our hospital-based focus enhances our relationships with hospitals and creates opportunities for our affiliated physicians to provide patient care in other areas of the hospital. For example, our physicians may provide care in emergency rooms, nurseries, intensive care units and other departments where access to specialized obstetric and pediatric care may be critical. Our hospital partners benefit from our expertise in managing critical care units and other settings staffed with physician specialists, including managing variable admission rates, operating costs, complex reimbursement systems and other administrative burdens. We work with our hospital partners to enhance their reputation and market our services to referring physicians within the communities served by those hospitals. In addition, our affiliated physicians work with our hospital partners to develop integrated services programs for solutions within the services we provide. Integrated programs provide our hospital partners and us with incremental growth and result in a broader spectrum of care across our specialties and permit us to extend our patient service lines into our existing markets. Our

relationships with our hospital partners are continually evolving with the goal of being viewed by them as a solutions provider across all of our specialties.

Under our contracts with hospitals, we have the responsibility to manage, in many cases exclusively, the provision of physician services for hospital-based units, such as NICUs, and other hospital settings. We typically are responsible for billing patients and third-party payors for services rendered by our affiliated physicians separately from other related charges billed by the hospital or other physicians to the same payors. Some of our hospital contracts require hospitals to pay us administrative fees. Some contracts provide for fees if the hospital does not generate sufficient patient volume in order to guarantee that we receive a specified minimum revenue level. We also receive fees from hospitals for administrative services performed by our affiliated physicians providing medical director services at the hospital. Administrative fees accounted for approximately 12.5% of our net revenue during 2020. Some of our contracts with hospitals require us to indemnify them and their affiliates for losses resulting from the negligence of our affiliated physicians. Our hospital contracts typically have terms of one to three years which can be terminated without cause by either party upon prior written notice, and renew automatically for additional terms of one to three years unless terminated early by any party. While we have in most cases been able to renew these arrangements, hospitals may cancel or not renew our arrangements, or reduce or eliminate our administrative fees in the future.

### **Third-Party Payors**

Our relationships with government-sponsored or funded healthcare programs (“GHC Programs”), including Medicare and Medicaid, and with managed care organizations and commercial health insurance payors are vital to our business. We seek to maintain professional working relationships with our third-party payors, streamline the administrative process of billing and collection, and assist our patients and their families in understanding their health insurance coverage and any balances due for co-payments, co-insurance, deductibles or benefit limitations. In addition, through our quality initiatives and continuing research and education efforts, we have sought to enhance clinical care provided to patients, which we believe benefits third-party payors by contributing to improved patient outcomes and reduced long-term health system costs.

We receive compensation for professional services provided by our affiliated physicians to patients based upon rates for specific services provided, principally from third-party payors. Our billed charges are substantially the same for all parties in a particular geographic area, regardless of the party responsible for paying the bill for our services, but the payments we receive vary among payors. A significant portion of our net revenue is received from GHC Programs, principally state Medicaid programs.

Medicaid programs, which are jointly funded by the federal government and state governments, pay for medical and health-related services for certain categories of individuals and families generally who have low incomes or disabilities. Medicaid programs can be either standard fee-for-service payment programs or managed care programs in which states have contracted with health insurance companies to run local or state-wide health plans with features similar to health maintenance organizations. Our compensation rates under standard fee-for-service Medicaid programs are established by state governments and are not negotiated. Although Medicaid rates vary across the states, these rates are generally much lower in comparison to private-sector health plan rates. Rates under Medicaid managed care programs typically are negotiated but are also generally much lower in comparison to private-sector health plan rates.

The Affordable Care Act (“ACA”) allows states to expand their Medicaid programs to enroll more individuals through federal payments that fund most of the cost of increasing the Medicaid eligibility income limit from a state’s historical eligibility levels to 133% of the federal poverty level. As of December 31, 2020, 38 states and the District of Columbia have expanded Medicaid eligibility to cover this additional low income patient population (including states that have adopted but not yet implemented expansion and those that are using an alternative approach to eligibility expansion) and other states are considering such expansion. All of the states in which we operate, however, already cover children in the first year of life and pregnant women if their

household income is at or below 133% of the federal poverty level, and some states offer expanded coverage, with state eligibility thresholds that may range from 133% to 400% of the federal poverty level based on a combination of federal mandates and voluntary state expansions. In light of changes to the ACA, some of these states may eliminate, reduce or otherwise modify expanded enrollment eligibility. See Item 1A. Risk Factors — “State budgetary constraints and the uncertainty over the future Medicaid expansion could have an adverse effect on our reimbursement from Medicaid programs” and “Potential healthcare reform efforts may have a significant effect on our business.”

Medicare is a health insurance program primarily for individuals 65 years of age and older, younger individuals with certain disabilities and individuals with end-stage renal disease. The program is available without regard to income or assets (with means-tested premiums for beneficiaries with relatively high incomes) and offers beneficiaries different ways to obtain their medical benefits. The most common option selected today by Medicare beneficiaries is the traditional fee-for-service payment system. The other options include managed care, preferred provider organizations, private fee-for-service and specialty plans. Medicare compensation rates are generally much lower in comparison to private-sector health plans. In 2020, the majority of the over 65 million people on Medicare were covered by traditional fee-for-service Medicare, but approximately one-third were enrolled in Medicare Advantage plans. Enrollment in Medicare Advantage has been increasingly annually over the past decade and is projected to continue such growth. Because we provide services primarily to women and children in our neonatology, maternal-fetal medicine and other pediatric specialties, our reimbursements from Medicare programs are not material.

In order to participate in government programs, we and our affiliated practices must comply with stringent and often complex standards, including enrollment and reimbursement requirements. Different states also impose varying standards for their Medicaid programs. See “Government Regulation—Government Regulatory Requirements.”

We also receive compensation pursuant to contracts with commercial payors that offer a wide variety of health insurance products, such as health maintenance organizations, preferred provider organizations and exclusive provider organizations that are subject to various state laws and regulations, as well as employer-sponsored coverage subject to federal Employee Retirement Income Security Act (“ERISA”) requirements. We seek to secure mutually agreeable contracts with payors that enable our affiliated physicians to be listed as in-network participants within the payors’ provider networks. We generally contract with commercial payors through our affiliated professional contractors. Subject to applicable laws, rules and regulations, the terms, conditions and compensation rates of our contracts with commercial third-party payors are negotiated and often vary across markets and among payors. In some cases, we contract with organizations that establish and maintain provider networks and then rent or lease such networks to the actual payor. Our contracts with commercial payors typically provide for discounted fee-for-service arrangements. Our contracts with commercial payors typically also grant each party the right to terminate the contracts without cause upon prior written notice and various notice periods.

If we do not have a contractual relationship with a health insurance payor, we generally bill the payor our full billed charges. If payment is less than billed charges, we bill the balance to the patient, subject to federal and state laws regulating such billing, which Congress or states may continue to enact. See Item 1A. Risk Factors — “Congress or states have, and may continue to, enact laws restricting the amount out-of-network providers of services can charge and recover for such services.” In addition, these contracts generally give commercial payors the right to audit our billings and related reimbursements for professional and other services provided by or through our affiliated physicians.

Although we maintain standard billing and collections procedures with appropriate discounts for prompt payment, we also provide discounts in certain hardship situations where patients and their families do not have financial resources necessary to pay the amount due for services rendered. Any amounts written-off are based on the specific facts and circumstances related to each individual patient account.

## **Referring and Collaborating Physicians**

Our relationships with our referring and collaborating physicians are critical to our success. Our affiliated physicians seek to establish and maintain professional relationships with referring physicians in the communities where they practice. Because patient volumes in our NICUs are based in part on referrals from other physicians, particularly obstetricians, it is important that we are responsive to the needs of referring physicians in the communities in which we operate. We believe that our community presence, through our hospital coverage and outpatient clinics, assists referring obstetricians, office-based pediatricians and family physicians with their practices. Our affiliated physicians are able to provide comprehensive maternal-fetal, newborn and pediatric subspecialty care to patients using the latest advances in methodologies, supporting the local referring physician community with 24-hours-a-day, seven-days-a-week on-site or on-call coverage.

## **Affiliated Physicians and Practice Groups**

Our relationships with our affiliated physicians are important. Our affiliated physicians are organized in traditional practice group structures. In accordance with applicable state laws, our affiliated practice groups are responsible for the provision of medical care to patients. Our affiliated practice groups are separate legal entities organized under state law as business corporations or professional associations, professional corporations, limited liability companies and partnerships, which we sometimes refer to as our “affiliated professional contractors”. Each of our affiliated professional contractors is owned by a licensed physician affiliated with the Company through employment or another contractual relationship. Our national infrastructure enables more effective and efficient sharing of new discoveries and clinical outcomes data, including best demonstrated processes, access to our sophisticated information systems, clinical research and education.

Our business corporations and affiliated professional contractors employ or contract with physicians to provide clinical services in certain states and Puerto Rico. In most of our affiliated practice groups, each physician has entered into an employment agreement with us or one of our affiliated professional contractors providing for a base salary and incentive bonus eligibility and typically having a term of three to seven years. We are typically responsible for billing patients and third-party payors for services rendered by our affiliated physicians and, with respect to services provided in a hospital, separately from other charges billed by hospitals to the same payors. Each physician must hold a valid license to practice medicine in the state in which he or she provides patient care and must become a member of the medical staff, with appropriate clinical privileges, at each hospital at which he or she practices. Substantially all the physicians employed by us or our affiliated professional contractors have agreed not to compete within a specified geographic area during employment and for a certain period after termination of employment. Although we believe that the non-competition covenants of our affiliated physicians are reasonable in scope and duration and therefore enforceable under applicable state laws, we cannot predict whether a court or arbitration panel would enforce these covenants in any particular case. Our hospital contracts also typically require that we and the physicians performing services maintain minimum levels of professional and general liability insurance. We negotiate those policies and contract and pay the premiums for such insurance on behalf of the physicians.

Each of our affiliated professional contractors has entered into a comprehensive management agreement with a subsidiary of Mednax as the manager. Under the terms of these management agreements, and subject to state laws and other regulations, the manager is typically paid for its services based on the performance of the applicable practice group. See “Government Regulation—Fee Splitting; Corporate Practice of Medicine.”

## **COMPETITION**

The physician services industry is highly fragmented. Competition in our business is generally based upon a number of factors, including reputation, experience and level of care and our affiliated physicians’ ability to provide cost-effective, quality clinical care. The nature of competition for our hospital-based practices differs significantly from competition for our office-based practices. Our hospital-based practices compete nationally

with other health services companies and physician groups for hospital contracts and qualified physicians. In some instances, our hospital-based physicians also compete on a regional or local basis. For example, our neonatologists compete for referrals from local physicians and transports from surrounding hospitals. Our office-based practices, such as maternal-fetal medicine and pediatric cardiology, compete for patients with office-based practices in those subspecialties.

Hospitals control access to their NICUs and operating rooms by awarding contracts and hospital clinical privileges, and our relationships with our hospital partners are critical to our operations. Because our operations consist primarily of physician services provided within hospital-based units, we compete with others for contracts with hospitals to provide services. We also compete with hospitals themselves to provide such services. Hospitals may employ neonatologists directly or contract with other physician groups to provide services either on an exclusive or non-exclusive basis. A hospital not otherwise competing with us may begin to do so by opening a new NICU or operating facility, expanding the capacity of an existing NICU, adding operating room suites or, in the case of neonatal services, upgrading the level of its existing NICU. If the hospital chooses to do so, it may award the contract to operate the relevant facility to a competing group or company from within or outside the surrounding community. Our contracts with hospitals generally provide that they may be terminated without cause upon prior written notice.

The healthcare industry is highly competitive. Companies in other segments of the industry as well as healthcare-focused and other private equity firms, some of which have financial and other resources greater than ours, may become competitors in providing neonatal, maternal-fetal and other pediatric subspecialty care.

## **GOVERNMENT REGULATION**

The healthcare industry is governed by a framework of federal and state laws, rules and regulations that are extensive and complex and for which, in many cases, the industry has the benefit of only limited judicial and regulatory interpretation. The resources and costs required to comply with these laws, rules and regulations are high. If we or one of our affiliated practice groups or service businesses is found to have violated these laws, rules or regulations, our business, financial condition and results of operations could be materially, adversely affected. The ACA made numerous changes that have reshaped the United States healthcare delivery system. Further healthcare reform continues to attract significant legislative and administrative interest, legal challenges, regulatory and compliance requirements, new approaches and public attention that create uncertainty and the potential for additional changes. Healthcare reform implementation, additional legislation or regulations, and other changes in government policy or regulation may affect our reimbursement, restrict our existing operations, limit the expansion of our business or impose additional compliance requirements and costs, any of which could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. See Item 1A. Risk Factors — “Potential healthcare reform efforts may have a significant effect on our business.” Additional changes at the state level, including changes in Medicaid Program administration, eligibility and coverage, as well as changes in the regulatory framework governing the provision of telemedicine services, and other legal developments, could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

## **Licensing and Certification**

Each state imposes licensing requirements on individual physicians and clinical professionals, and on facilities operated or utilized by healthcare companies like us. Many states require regulatory approval, including certificates of need, before establishing certain types of healthcare facilities, offering certain services or expending amounts in excess of statutory thresholds for healthcare equipment, facilities or programs. We and our affiliated physicians are also required to meet applicable Medicare supplier requirements under federal laws, rules and regulations and Medicaid provider requirements under federal and state laws, rules and regulations.

## **Fee Splitting; Corporate Practice of Medicine**

Many states have laws that prohibit business corporations, such as Mednax, from practicing medicine, employing physicians to practice medicine, exercising control over medical decisions by physicians, or engaging in certain arrangements, such as fee splitting, with physicians. In light of these restrictions, we operate by maintaining long-term management contracts through our subsidiaries with affiliated professional contractors, which employ or contract with physicians to provide professional medical services. Under these arrangements, our manager subsidiaries perform only non-medical administrative services, do not represent that they offer medical services and do not exercise influence or control over the practice of medicine by the physicians and other licensed health professionals employed by the affiliated professional contractors. In states where fee splitting with a business corporation or manager is prohibited, the fees that are received from the affiliated professional contractors have been established on a basis that we believe complies with applicable laws. Although the relevant laws in these states have been subject to limited judicial and regulatory interpretation, we believe that we are in compliance with applicable state laws in relation to the corporate practice of medicine and fee splitting. However, regulatory authorities or other parties, including our affiliated physicians, may assert that, despite these arrangements, we or our manager subsidiaries are engaged in the corporate practice of medicine or that the contractual arrangements with the affiliated professional contractors constitute unlawful fee splitting, in which case we or our affiliated physicians could be subject to administrative, civil or criminal remedies or penalties, the contracts could be found to be legally invalid and unenforceable, in whole or in part, or we could be required to restructure our contractual arrangements with our affiliated professional contractors.

## **Fraud and Abuse Provisions**

Existing federal laws, as well as similar state laws, governing Medicare, Medicaid, other GHC Programs and other non-governmental arrangements and interactions, impose a variety of fraud and abuse prohibitions on healthcare companies like us. These laws are interpreted broadly and enforced aggressively by multiple government agencies, including the Office of Inspector General of the Department of Health and Human Services (“OIG”), the Department of Justice (“DOJ”), Centers for Medicare and Medicaid Service (“CMS”), and various state agencies.

Federal and state fraud and abuse laws apply to and affect our financial relationships and other ordinary and common business interactions with hospitals, referring physicians and other healthcare entities. In particular, the federal anti-kickback statute makes it a crime to knowingly and willfully solicit, receive, offer, or pay any remuneration, in cash or in kind, in return for either referring items or services for which payment may be made in whole or in part by a GHC Program or purchasing, leasing, ordering, or arranging for or recommending the purchase, lease, or ordering of any service or item for which payment may be made in whole or in part by a GHC Program. In addition, the federal physician self-referral law, commonly known as the “Stark Law,” is a strict liability statute that prohibits a physician from making a referral to an entity for certain “designated health services” payable by Medicare if the physician, or an immediate family member of the physician, has a financial relationship with that entity, unless an exception applies. The entity is further prohibited from billing the Medicare program for designated health services furnished pursuant to a prohibited referral. Further, the Stark Law, through the addition of section 1903(s) to the Social Security Act, prohibits the federal government from making federal financial participation payments to state Medicaid programs for designated health services furnished as a result of a referral that would violate the Stark Law if Medicare “covered the service to the same extent and under the same conditions” as the state Medicaid Program. The DOJ and several state agencies have successfully argued that Section 1903(s) expands the Stark Law to Medicaid-covered claims, even absent a separate state self-referral law prohibiting the same conduct. These laws have been broadly interpreted by federal courts and agencies, and potentially subject many healthcare business arrangements to government investigation, enforcement and prosecution, which can be costly and time consuming. Additionally, many of the states in which we operate also have similar anti-kickback and self-referral laws that apply to our government and non-government business, including in some cases, to patient self-pay services.

Violations of these laws are punishable by substantial penalties and other remedies, including monetary fines, civil penalties, administrative remedies, criminal sanctions (in the case of the federal anti-kickback statute and certain state anti-kickback laws), exclusion from participation in GHC Programs and forfeiture of amounts collected in violation of such laws. The government may also assert that a claim to a GHC Program for covered items or services resulting from a violation of the federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act (“FCA”).

There are a variety of other types of federal and state fraud and abuse laws, including laws authorizing the imposition of criminal, civil and administrative penalties for submitting false or fraudulent claims for reimbursement to GHC Programs. These laws include the federal civil FCA, which prohibits knowingly presenting, or causing to be presented, false claims to GHC Programs, including Medicare, Medicaid, TRICARE (the program for military dependents and retirees), the Federal Employees Health Benefits Program, and insurance plans purchased through the ACA insurance exchanges where payments include federal funds. The FCA also makes the knowing retention of an identified overpayment from a GHC Program a separate basis for FCA liability. Substantial civil fines and treble damages, along with other remedies, including exclusion from GHC Programs, can be imposed for violating the FCA. Furthermore, the FCA does not require that the individual or company that presented or caused to be presented an allegedly false claim have actual knowledge of its falsity. The statute applies where the individual or company acted in “reckless disregard” or in “deliberate ignorance” of the truth or falsity of the claim. The FCA includes “whistleblower” provisions that permit private citizens to sue a claimant on behalf of the government and share in the amounts recovered under the law. In recent years, many cases have been brought against healthcare companies by the government and by “whistleblowers,” which have resulted in judgments and settlements involving substantial payments to the government by the companies involved. The cost to defend against allegations, even when the government declines to intervene, can be substantial.

In addition, the Civil Monetary Penalties Law imposes substantial civil monetary penalties against a person or entity that engages in other prohibited activities, such as presenting or causing to be presented a claim to a GHC Program that the person knows or should know is for an item or service that was not provided as claimed or for a claim that is false or fraudulent, or providing remuneration to a GHC Program beneficiary that the person or entity knows or should know is likely to influence the beneficiary’s selection of a provider or supplier. Regulators also have the authority to exclude individuals and entities from participation in GHC Programs under the Civil Monetary Penalties Law.

The civil and administrative false claims statutes are being applied in a broad range of circumstances. For example, claims for services that are medically unnecessary or fail to meet applicable coverage standards may, under certain circumstances, violate these statutes. Claims for services that were induced by kickbacks and Stark Law violations may also form the basis for FCA liability. Many of the laws and regulations referenced above can be used in conjunction with each other.

If we or our affiliated professional contractors were excluded from participation in any GHC Programs, not only would we be prohibited from submitting claims for reimbursement under such programs, but we also would be unable to contract with other healthcare providers, such as hospitals, to provide services to them. It could also adversely affect our or our affiliated professional contractors’ ability to contract with, or obtain payment from, non-governmental payors.

Although we intend to conduct our business in compliance with all applicable federal and state fraud and abuse laws, many of the laws, rules and regulations applicable to us, including those relating to billing and those relating to financial relationships with physicians and hospitals, are broadly worded and may be interpreted or applied by prosecutorial, regulatory or judicial authorities in ways that we cannot predict. Accordingly, we cannot assure you that our arrangements or business practices will not be subject to government scrutiny or be alleged or found to violate applicable fraud and abuse laws. If there is a determination by government authorities that we have not complied with any of these laws, rules and regulations, our business, financial condition and



results of operations could be materially, adversely affected. See “Government Investigations.” Additionally, federal and state fraud and abuse laws, rules and regulations are not static and amendments, clarifications, revisions, or other modifications to these laws may occur from time to time. For instance, on December 2, 2020, both CMS and the OIG published final rules substantially modifying the anti-kickback statute, Civil Monetary Penalty Law, and the Stark Law regulations to foster arrangements that would promote care coordination, advance the delivery of value-based care, and protect consumers from harms caused by fraud and abuse. Changes reflected in OIG and CMS’s final rules could affect our operations and may cause us to modify certain arrangements, transactions, or other financial relationships.

### **Government Regulatory Requirements**

In order to participate in the Medicare program and in the various state Medicaid programs, we and our affiliated physician practices must comply with stringent and often complex regulatory requirements. Moreover, different states impose varying standards for their Medicaid programs. While our compliance program requires that we and our affiliated physician practices adhere to the laws, rules and regulations applicable to the government programs in which we participate, our failure to comply with these laws, rules and regulations could negatively affect our business, financial condition and results of operations. See “Government Regulation—Fraud and Abuse Provisions,” “Government Regulation—Compliance Program,” “Government Investigations” and “Other Legal Proceedings,” and Item 1A. Risk Factors — “Government-funded programs, private insurers or state laws and regulations may limit, reduce or make retroactive adjustments to reimbursement amounts or rates,” “We may become subject to billing investigations by federal and state government authorities and private insurers” and “The healthcare industry is highly regulated, and government authorities may determine that we have failed to comply with applicable laws, rules or regulations.”

In addition, GHC Programs are subject to statutory and regulatory changes, administrative rulings, interpretations and determinations, manual guidance, requirements for utilization review and new governmental funding restrictions, all of which may materially increase or decrease program payments, as well as affect the cost of providing services and the timing of payments to providers. Moreover, because GHC Programs generally provide for reimbursement on a fee-schedule, per-service or per-discharge basis rather than on a charge-related basis, we generally cannot increase our revenue through increases in 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 programs, and cost containment measures and market changes in non-governmental insurance plans have generally restricted our ability to recover or shift these increased costs to non-governmental payors. In addition, the health care industry is increasing the use of value-based reimbursement methodologies and accordingly, our reimbursement may be dependent upon our ability to achieve quality targets that change year over year. See Item 1A. Risk Factors – “Potential healthcare reform efforts may have a significant effect on our business.” In attempts to limit federal and state spending, there have been, and we expect that there will continue to be, a number of proposals to limit or reduce Medicare and Medicaid reimbursement for various services. Our business may be significantly and adversely affected by any such changes in reimbursement policies and other legislative initiatives aimed at reducing healthcare costs associated with Medicare, Medicaid and other GHC Programs.

Our business also could be adversely affected by reductions in or limitations of funding of GHC Programs or restrictions on or elimination of coverage for certain individuals or treatments under these programs.

### **Antitrust**

The healthcare industry is subject to close antitrust scrutiny. The Federal Trade Commission (“FTC”), the Antitrust Division of the DOJ and state Attorneys General all actively review and, in some cases, take enforcement action against business conduct and acquisitions in the healthcare industry. Private parties harmed by alleged anticompetitive conduct can also bring antitrust suits. Violations of antitrust laws may be punishable by substantial penalties, including significant monetary fines, civil penalties, criminal sanctions, consent decrees and injunctions prohibiting certain activities or requiring divestiture or discontinuance of business operations.

Any of these penalties could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

### **HIPAA and Other Privacy, Security and Breach Notification Laws**

Numerous federal and state laws, rules and regulations govern the collection, dissemination, use, privacy, security and confidentiality of personal information. For example, the federal Health Insurance Portability and Accountability Act of 1996, as amended, and its implementing regulations (collectively, “HIPAA”) impose requirements to protect the privacy and security of protected health information (“PHI”) and to provide notification in the event of a breach of PHI. Violations of HIPAA are punishable by civil money penalties and, in some cases, criminal penalties and imprisonment. The U.S. Department of Health and Human Services (“HHS”) Office for Civil Rights (“OCR”), which is responsible for enforcing HIPAA, also may enter into resolution agreements requiring the payment of a civil money penalty and/or the establishment of a corrective action plan to address violations of HIPAA. As part of our business operations, including in connection with medical record keeping, third-party billing, research and other services, we and our affiliated physician practices collect and maintain PHI regarding patients, which subjects us to compliance with HIPAA requirements.

Pursuant to HIPAA, HHS has adopted privacy regulations, known as the privacy rule, to govern the use and disclosure of PHI (the “Privacy Rule”). The Privacy Rule applies to “Covered Entities,” which are health plans, health care clearinghouses, and health care providers that engage in standardized transactions under HIPAA, and, as discussed further below, “Business Associates,” which are entities that perform functions or services for or on behalf of Covered Entities that involve the use or disclosure of PHI. The term “Business Associate” also includes “Subcontractors,” which means any entity to which a Business Associate delegates any function, activity or service, other than in the capacity of a member of that Business Associate’s workforce. PHI is broadly defined as any individually identifiable health information transmitted or maintained in any form, including electronic, paper or oral. As a general rule, a Covered Entity or Business Associate may not use or disclose PHI except as permitted under the Privacy Rule. We have implemented privacy policies and procedures, including training programs, and signed Business Associate Agreements, designed to comply with the requirements set forth in the Privacy Rule, as amended to reflect changes required by HITECH, as discussed further below.

HHS has also adopted data security regulations (the “Security Rule”) that require Covered Entities (including health care providers) and Business Associates to implement administrative, physical and technical safeguards to protect the integrity, confidentiality and availability of PHI that is electronically created, received, maintained or transmitted (such as between us and our affiliated practices). We have implemented security policies, procedures and systems, including training programs, designed to comply with the requirements set forth in the Security Rule.

In addition, Congress enacted the Health Information Technology for Economic and Clinical Health (“HITECH”) Act as part of the American Recovery and Reinvestment Act. Among other changes to the laws governing PHI, HITECH required OCR to strengthen and expand HIPAA requirements, increase penalties for violations, give patients new rights to restrict uses and disclosures of their PHI, and impose a number of privacy and security requirements directly on Business Associates. A Covered Entity can also be held liable for violations of HIPAA resulting from the acts or omissions of any Business Associate acting as its agent.

Under HIPAA, as amended by regulations promulgated pursuant to HITECH, Covered Entities are required to report any unauthorized use or disclosure of PHI that meets the definition of a breach to affected individuals, HHS and, depending on the number of affected individuals, the media for the affected market. In addition, HIPAA requires that Business Associates report breaches to their Covered Entity customers. HITECH further authorizes state Attorneys General to bring civil actions in response to violations of HIPAA that threaten the privacy of state residents. We have adopted breach notification policies and procedures designed to comply with the applicable requirements set forth in HIPAA.

HIPAA establishes a federal “floor” with respect to privacy, security, and breach notification requirements and does not supersede any state laws insofar as they are broader or more stringent than HIPAA. Numerous state and certain other federal laws protect the confidentiality of health information and other personal information, including but not limited to state medical privacy laws, state laws protecting personal information, state data breach notification laws, state genetic privacy laws, human subjects research laws and federal and state consumer protection laws. These additional federal and state privacy and security-related laws may be more restrictive than HIPAA and could impose additional penalties. For example, the Federal Trade Commission uses its consumer protection authority under Section 5 of the Federal Trade Act to initiate enforcement actions in response to alleged privacy violations and data breaches. California recently enacted the California Consumer Privacy Act (“CCPA”), which went into effect on January 1, 2020. The CCPA, among other things, creates new data privacy obligations for covered companies and provides new privacy rights to California residents, including the right to opt out of certain disclosures of their information. The CCPA also creates a private right of action with statutory damages for certain data breaches, thereby potentially increasing risks associated with a data breach. California recently amended and expanded CCPA through another ballot initiative, the California Privacy Rights Act (“CPRA”), passed on November 3, 2020. It remains unclear what, if any, additional modifications will be made to the CPRA by the California legislature or how it will be interpreted. In addition to California, other states have strengthened their data security laws and others are indicated their intention to do so as well. A bill introduced in the New York Senate on October 28, 2020, the “It’s Your Data Act” (IYDA), would modify New York’s civil rights and general business laws to expand the current right of privacy as well as create a series of consumer rights and business obligations concerning the collection, storage, and use of a consumer’s personal information. Violations could result in civil and criminal liability. It is expected that additional state legislatures will introduce stronger data privacy protections this year. In addition, industry groups such as the payment card industry have developed self-regulatory guidelines for privacy and data security that are more stringent than HIPAA. In order to accept payments from payment cards, merchants must use payment card processing applications that have been validated under the Payment Application Data Security Standard (“PA-DSS”), and complete a self-assessment questionnaire that complies with the Payment Card Industry Data Security Standard (“PCI-DSS”). Failure to comply with PA-DSS and PCI-DSS may result in fines and penalties imposed by payment card brands, and/or termination of the merchant’s relationship with the bank it relies on to process payment card payments.

These requirements are also subject to change. Compliance with new privacy, security, and breach notification laws, regulations, requirements and self-regulatory guidelines may result in increased operating costs, and may constrain or require us to alter our business model or operations. For example, changes to HIPAA promulgated pursuant to HITECH further restricted our ability to collect, disclose and use PHI and imposed additional compliance requirements on us.

Although we currently maintain liability insurance coverage intended to cover cyber liability and certain other privacy and security breach-related claims, we cannot ensure that our insurance coverage will be adequate to cover liabilities arising out of claims asserted against us in the future where the outcomes of such claims are unfavorable to us. Liabilities in excess of our insurance coverage, including coverage for cyber liability and certain other privacy and security breach-related claims, could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

### **HIPAA Transaction Requirements**

In addition to privacy, security, and breach notifications requirements, HIPAA establishes uniform electronic data transmission standards that all healthcare providers must use for electronic healthcare transactions. For example, claims for reimbursement that are transmitted electronically to third-party payors must comply with specific formatting standards, and these standards apply whether the payor is a government or a private entity. We report medical diagnoses under International Classification of Diseases, 10<sup>th</sup> Edition (“ICD-10”). If claims are not reported properly under ICD-10 due to technical or coding errors or other implementation issues involving systems, including ours and those of our third-party payors, there can be a delay in the processing and payment of such claims, or a denial of such claims, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

## Environmental Regulations

Our healthcare operations generate medical waste that must be disposed of in compliance with federal, state and local environmental laws, rules and regulations. Our office-based operations are subject to compliance with various other environmental laws, rules and regulations. Such compliance does not, and we anticipate that such compliance will not, materially affect our capital expenditures, financial position or results of operations. Some states, such as Florida, require us to be licensed by the state in order to dispose of biomedical waste.

## Compliance Program

We maintain a compliance program that includes the OIG's seven established elements of an effective program and which reflects our commitment to complying with all laws, rules and regulations applicable to our business and that meets our ethical obligations in conducting our business (the "Compliance Program"). We believe our Compliance Program provides a solid framework to meet this commitment and our obligations as a provider of healthcare services, including:

- a Chief Compliance Officer who reports to the Board of Directors on a regular basis;
- a Compliance Committee consisting of our senior executives;
- a formal internal audit function, including a Senior Director of Internal Audit who reports to the Audit Committee on a regular basis;
- our *Code of Conduct*, which is applicable to our employees, independent contractors, officers and directors;
- our *Code of Professional Conduct – Finance*, which is applicable to our finance personnel, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer;
- a disclosure program that includes a mechanism to enable individuals to disclose on a confidential or anonymous basis to the Chief Compliance Officer or any person who is not in the disclosing individual's chain of command, issues or questions believed by the individual to be a potential violation of criminal, civil, or administrative laws or of company policies or procedures;
- an organizational structure designed to integrate our compliance objectives into our corporate offices, regions and practices; and
- education, monitoring and corrective action programs designed to establish methods to promote the understanding of our Compliance Program and adherence to its requirements.

The foundation of our Compliance Program is our *Code of Conduct*, which is intended to be a comprehensive statement of the ethical and legal standards governing the daily activities of our employees, affiliated professionals, independent contractors, officers and directors. All of our personnel are required to abide by, and are given thorough education regarding, our *Code of Conduct*. In addition, all employees and affiliated professionals are expected to report incidents that they believe in good faith may be in violation of our *Code of Conduct*. We maintain a toll-free helpline to permit individuals to report compliance concerns on an anonymous or confidential basis, if they elect to do so, and obtain answers to questions about our *Code of Conduct*. Our Compliance Program, including our *Code of Conduct*, is administered by our Chief Compliance Officer with oversight by our Chief Executive Officer, Compliance Committee and Board of Directors. Copies of our *Code of Conduct* and our *Code of Professional Conduct – Finance* are available on our website, [www.Mednax.com](http://www.Mednax.com). Our internet website and the information contained therein or connected thereto are not incorporated into or deemed a part of this Form 10-K. Any amendments or waivers to our *Code of Professional Conduct – Finance* will be promptly disclosed on our website following the date of any such amendment or waiver.

## GOVERNMENT INVESTIGATIONS

We expect that audits, inquiries and investigations from government authorities, agencies, contractors and payors will occur in the ordinary course of business. Such audits, inquiries and investigations and their ultimate

resolutions, individually or in the aggregate, could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

## **OTHER LEGAL PROCEEDINGS**

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

On March 20, 2019, a derivative action was filed by plaintiff Beverly Jackson on behalf of Mednax, Inc. against Mednax, Inc. and certain of its officers and directors in the Seventeenth Judicial Circuit in and for Broward County, Florida (Case Number CACE-19-006253). The plaintiff purported to bring suit derivatively on behalf of our company against certain of our officers and directors for breach of fiduciary duties and unjust enrichment claiming alleged violations of Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 thereunder, based on statements made by the defendants primarily concerning our former anesthesiology business. The complaint seeks unspecified damages, interest, attorneys' fees and other costs. We filed a motion to dismiss in December 2019, and on March 16, 2020, an order granting our motion to dismiss without prejudice was issued. On April 6, 2020, the plaintiff filed an amended complaint, and on April 30, 2020, we filed a motion to dismiss the amended complaint. On September 24, 2020, our motion to dismiss was granted, but the plaintiff was granted 20 days to amend their complaint, and on October 14, 2020, the plaintiff filed a second amended complaint. We filed our motion to dismiss the second amended complaint on October 26, 2020. On December 18, 2020 an Order was entered summarily denying our motion to dismiss the second amended complaint, and our answer is due on February 26, 2021.

Although we currently maintain liability insurance coverage intended to cover professional liability and certain other claims, we cannot ensure that our insurance coverage will be adequate to cover liabilities arising out of claims asserted against us in the future where the outcomes of such claims are unfavorable to us. With respect to professional liability risk, we self-insure a significant portion of this risk through our wholly owned captive insurance subsidiary. Liabilities in excess of our insurance coverage, including coverage for professional liability and certain other claims, could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. See "Professional and General Liability Coverage."

## **PROFESSIONAL AND GENERAL LIABILITY COVERAGE**

We maintain professional and general liability insurance policies with third-party insurers generally on a claims-made basis, subject to deductibles, self-insured retention limits, policy aggregates, exclusions, and other restrictions, in accordance with standard industry practice. We believe that our insurance coverage is appropriate based upon our claims experience and the nature and risks of our business. However, we cannot predict whether any pending or future claim would be successful or, if successful, would not exceed the limits of available insurance coverage.

Our business entails an inherent risk of claims of medical malpractice against our affiliated physicians, clinicians and us. We contract and pay premiums for professional liability insurance that indemnifies us and our affiliated healthcare professionals generally on a claims-made basis for losses incurred related to medical malpractice litigation. Professional liability coverage is required in order for our affiliated physicians to maintain

hospital privileges. Our self-insured retention under our professional liability insurance program is maintained primarily through a wholly owned captive insurance subsidiary. We record estimates in our Consolidated Financial Statements for our liabilities for self-insured retention amounts and claims incurred but not reported based on an actuarial valuation using historical loss information, claim emergence patterns and various actuarial assumptions. Liabilities for claims incurred but not reported are not discounted. Because many factors can affect historical and future loss patterns, the determination of an appropriate reserve involves complex, subjective judgment, and actual results may vary significantly from estimates. If the self-insured retention amounts and other amounts that we are actually required to pay materially exceed the estimates that have been reserved, our financial condition, results of operations and cash flows could be materially, adversely affected.

## **HUMAN CAPITAL MANAGEMENT**

We believe our affiliated physicians, other clinical professionals and administrative employees are key to our success. As of December 31, 2020, we had more than 2,300 practicing physicians affiliated with us, and we employed or contracted with approximately 2,000 other clinical professionals and approximately 3,600 other full-time and part-time employees. Our affiliated physicians and clinicians provide critical medical care through more than 17 women’s and children’s healthcare services across 39 states and Puerto Rico, providing care to the most vulnerable patient population in the country: expecting mothers and their newborns and children.

We believe that the success of our mission to “Take great care of the patient every day and in every way™” is realized by the engagement and empowerment of our affiliated physicians, other clinicians and administrative employees. Our Chief Human Resources Officer (“CHRO”) is responsible for developing and executing our human capital strategy. This includes the attraction, acquisition, development and engagement of talent to deliver on our strategy and the design of employee compensation and benefits programs. Our CHRO reports directly to our Chief Executive Officer and regularly engages with our board of directors and its compensation committee. Our Human Resources department is a core administrative support function of Mednax. Through its functional experts, our Human Resources team provides support and guidance in the areas of talent acquisition, employee wellness and safety programs, workplace policies and procedures, training and development and rewards strategies that include compensation, benefits and other rewards. It is the goal of the Human Resources department to support the needs of our organization and our workforce while serving as a trusted strategic partner to our management team.

We work together to make sound decisions for all of our operations teams and medical groups. Physicians spend years of their lives learning and training the science of medicine in order to bring their knowledge and skill to the bedside of a patient. It is an art, honed through repeated patient interactions, that allows any clinician to translate science into compassionate care for our patients. But healthcare is also our business, so we must also take great care of the business. This requires us to work every day to put tools into the hands of our affiliated physicians and other clinical professionals so they can deliver high quality care to our patients.

### ***Training and Leadership Development***

We are committed to the continued development of our people and believe in fostering great leaders. Our Training and Development team is committed to providing an environment that fosters both individual and organizational development. Through its various training and educational programs, the training and development team supports the organization’s commitment to excellence and its mission to “Take great care of the patient every day and in every way™”. We make available a catalog of over 5,000 courses to all audiences across subjects including business skills, leadership and management, office productivity, health and wellness and personal development, among others. The courses are designed to develop great people who become great leaders that will ultimately shape a great company. Our training materials were enhanced with additional resources to support remote work environments required due to COVID-19.

One of the greatest predictors of success in our partnerships at the hospital and health system level is a high degree of strategic alignment between our clinical leadership and our partners. This requires that our clinicians

have a skill set beyond just the practice of medicine. During 2021, our affiliated physicians and advanced practitioners across the organization will participate in our COVID-delayed Clinical Leadership Development Program focused on actively developing and supporting our clinician leaders at Mednax.

### ***Compliance Program and Training***

Fundamental to our core values are people and a culture of integrity. Our Compliance Department is led by our Chief Compliance Officer. The Compliance Program is supported by a written Compliance Plan, which details the components, organizational structure and operational aspects of the Compliance Program. Although the Compliance Program is supported by numerous operational policies and procedures, there are some key elements that are critical to its success. These include a Compliance Committee; a written Code of Conduct; new hire and periodic compliance training for all employees; compliance reporting mechanisms; and periodic reports to our board of directors. Annual participation in compliance trainings related to ethics, environment, health and safety, and emergency responses are at 100%.

### ***Health and Well-Being***

We care about the health and well-being of our affiliated clinicians, other clinical professionals and our administrative employees and their families and are committed to their health, safety and wellness. We support all of our colleagues in encouraging habits of wellness, increased awareness of factors and resources that contribute to overall well-being and inspire individuals to take responsibility for their own health. When individuals take great care of themselves, we can continue to take great care of our patients and take great care of our business.

We provide all our colleagues access to an Employee Assistance Program (“EAP”) that offers free and confidential assessments, short-term counseling, referrals, and follow-up services to employees who have personal and/or work-related problems. Our EAP addresses a broad and complex body of issues affecting mental and emotional well-being, such as alcohol and other substance abuse, stress, grief, family problems, and psychological disorders. EAP counselors also work in a consultative role with managers and supervisors to address employee and organizational challenges and needs. The EAP is designed to help our colleagues lead happier and more productive lives at home and at work. Our EAP services are available to all eligible employees, their spouses or domestic partners, dependent children, parents and parents-in-law. We encourage all of our employees and their family members to make full use of this resource which is designed to help maintain high employee productivity, health, and well-being in all aspects of life.

We have also partnered with the American Heart Association to provide heart healthy information and programs to our employees and encourage local participation in the AHA annual Heart Walk.

With the onset of the COVID-19 pandemic, we worked tirelessly to source and provide personal protective equipment for our patient facing employees. For employees who were and are not in direct clinical care, we pivoted to a remote work arrangement which continues today and will do so until such time that the majority of the population is vaccinated.

### ***Diversity and Inclusion***

We strive to make diversity, equality and inclusion a priority. As of February 1, 2021, approximately 80% of our total headcount was female and approximately 40% of our total headcount identified as part of a minority group. Among our affiliated physicians and other clinical professionals, approximately 70% was female and approximately 35% identified as part of a minority group. Among the executive and senior executive level and manager group, approximately 36% was female and approximately 20% identified as part of a minority group.

We believe that a diverse workforce is critical to our success, and we will continue to focus on the hiring, retention and advancement of any underrepresented population to achieve this goal.

***Total Rewards: Compensation and Benefits***

We value our colleagues' contributions to our success and strive to provide all of our colleagues with a competitive and comprehensive total rewards package. This includes robust compensation and benefits programs to help meet the needs of our affiliated physicians, other clinical professionals and administrative employees.

We take great care to ensure that our cash-based compensation packages are reflective of the market value for the work that our colleagues perform. We also understand that providing a comprehensive suite of employee benefits is essential to attracting, retaining and engaging world-class employees. Therefore, we regularly evaluate our benefit offerings to be sure we fully support our employees. In addition to base salaries, these offerings may include a combination of annual bonuses, stock-based compensation awards, an Employee Stock Purchase Plan, a 401(k) Plan, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, adoption assistance, employee assistance programs, continuing education, among many others.

**GEOGRAPHIC COVERAGE**

We provide physician services across 39 states and Puerto Rico. During 2020, approximately 62% of our net revenue was generated by operations in our five largest states. Our operations in Texas accounted for approximately 29% of our net revenue for the same period. Although we continue to seek to diversify the geographic scope of our operations, we may not be able to implement successfully or realize the expected benefits of any of these initiatives. Adverse changes or conditions affecting states in which our operations are concentrated, such as healthcare reforms, changes in laws, rules and regulations, reduced Medicare or Medicaid reimbursements, an increase in the income level required to qualify for government healthcare programs or government investigations, may have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

**SERVICE MARKS**

We have registered with the United States Patent and Trademark Office the service marks "Mednax National Medical Group and Design," "Pediatrix Medical Group and Design," "Obstetrix Medical Group and Design," "BabySteps," the "Baby Design," "iNewborn," and "NEO Conference and Design," among others.

**AVAILABLE INFORMATION**

Our annual proxy statements, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those statements and reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge and may be printed out through our internet website, [www.Mednax.com](http://www.Mednax.com), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). Our proxy statements and reports may also be obtained directly from the SEC's Internet website at [www.sec.gov](http://www.sec.gov). Our internet website and the information contained therein or connected thereto are not incorporated into or deemed a part of this Form 10-K.



## ITEM 1A. RISK FACTORS

*Our business is subject to a number of factors that could materially affect future developments and performance. In addition to factors affecting our business that have been described elsewhere in this Form 10-K, any of the following risks could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. We may update these risk factors in our periodic and other filings with the SEC.*

The following is a summary of the principal risk factors described in this section:

- Our financial condition and results of operations have been and may continue to be materially adversely affected by the ongoing COVID-19 pandemic.
- Economic conditions could have an adverse effect on our business.
- Unfavorable changes or conditions could occur in the states where our operations are concentrated.
- COVID-19 has necessitated the delivery of certain healthcare services remotely via telehealth, which is subject to extensive federal and state regulation, as well as temporary waivers tied to the COVID-19 public health emergency.
- The Medicare Access and CHIP Reauthorization Act of 2015 (“MACRA”) and potential changes to it may have a significant effect on our business.
- The Protecting Access to Medicare Act of 2014 (“PAMA”) and potential changes to Medicare reimbursement enacted pursuant to the legislation may have a significant effect on our business.
- The Transparency in Coverage Final Rule, which requires health plans to, beginning January 1, 2022, report to insureds upon request negotiated rates for all covered items and services and cost sharing obligations for in-network and out-of-network providers, could have a material impact on our business.
- Congress or states have, and may continue to, enact laws restricting the amount out-of-network providers of services can charge and recover for such services.
- Expanding eligibility of GHC Programs could adversely affect our reimbursement.
- Government-funded programs, private insurers, or state laws and regulations may limit, reduce, or make retroactive adjustments to reimbursement amounts or rates.
- We may not find suitable acquisition candidates or successfully integrate our acquisitions. Our acquisitions may expose us to greater business risks and could affect our payor mix.
- We may not be able to successfully execute our same-unit and organic growth strategies.
- Failure to manage third-party service providers may adversely affect our ability to maintain the quality of service that we provide.
- We are subject to litigation risks.
- We may not be able to collect reimbursements for our services from third-party payors.
- Our current indebtedness and any future indebtedness could adversely affect us by reducing our flexibility to respond to changing business and economic conditions and expose us to interest rate risk to the extent of any variable rate debt. In addition, a certain portion of our interest expense may not be deductible.
- We may not be able to successfully recruit, onboard and retain qualified physicians and other clinicians and other personnel, and our compensation expense for existing clinicians and other personnel may increase.

- Our employees and business partners may not appropriately secure and protect confidential information in their possession.
- Changes in federal and state information privacy and security laws could cause us to incur costs to comply, including potential changes to technology systems, legal and consulting services, and potential litigation risk.

### **Risks Related to Macroeconomic Conditions**

#### **Our financial condition and results of operations have been and may continue to be materially adversely affected by the ongoing coronavirus pandemic (COVID-19).**

The outbreak of COVID-19 evolved into a global pandemic that spread to most regions of the world, including virtually all of the United States. The full extent to which COVID-19 will impact our business and operating results will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19 and the actions to contain it or treat its impact, such as the potential for further shutdown or stay at home orders, and shifts toward GHC Programs if changes occur in population demographics within geographic locations in which we provide services, including an increase in unemployment and underemployment as well as losses of commercial health insurance.

Our office-based practices, which specialize in maternal-fetal medicine, pediatric cardiology, and numerous pediatric subspecialties, saw a significant elevation of appointment cancellations compared to historical normal levels as a result of COVID-19. We believe COVID-19, either directly or indirectly, has also had an impact on our NICU patient volumes, and there is no assurance that impacts from COVID-19 will not further adversely affect our NICU patient volumes or otherwise adversely affect our NICU and related neonatology business. Overall, our operating results were significantly impacted by the COVID-19 pandemic beginning in mid-March 2020, but volumes did begin to normalize in May 2020 and substantially recovered during the months of June 2020 through December 2020.

The foregoing and other continued disruptions to our business as a result of COVID-19 could result in a material adverse effect on our business, results of operations, financial condition, prospects and the trading prices of our securities.

#### **Economic conditions could have an adverse effect on our business.**

Our operations and performance depend significantly on economic conditions. During the year ended December 31, 2020, the percentage of our patient service revenue being reimbursed under GHC Programs increased as compared to the year ended December 31, 2019. If, however, economic conditions in the United States deteriorate, we could experience shifts toward GHC Programs, and patient volumes could decline. Further, we could experience and have experienced shifts toward GHC Programs if changes occur in population demographics within geographic locations in which we provide services. Adverse economic conditions could also lead to additional increases in the number of unemployed and under-employed workers and a decline in the number of private employers that offer healthcare insurance coverage to their employees. Employers that do offer healthcare coverage may increase the required contributions from employees to pay for their coverage and increase patient responsibility amounts. In addition, certain private payors' poor experience with the healthcare insurance exchanges and uncertainty around the future of the ACA and healthcare insurance exchanges may result in those payors exiting the healthcare insurance exchange marketplaces or the cessation of the healthcare insurance exchanges. As a consequence, the number of patients who participate in GHC Programs or who are uninsured or underinsured could increase. Payments received from GHC Programs are substantially less than payments received from private healthcare insurance programs (managed care and other third-party payors). Payments under policies issued through the healthcare insurance exchanges may be less than payments from private healthcare insurance programs and in some cases, patients' responsibility for costs related to healthcare

plans obtained through the healthcare insurance exchanges may be high and could increase in the future, and we may experience increased bad debt due to patients' inability to pay for certain services. A payor mix shift from private healthcare insurance programs to GHC Programs or to healthcare insurance exchanges may result and has resulted in an increase in our estimated provision for contractual adjustments and uncollectibles and a corresponding decrease in our net revenue, as well as a significant reduction in our average reimbursement rates. While we have developed a number of strategic initiatives across our organization, in both our shared services functions and our operational infrastructure, to address some of the effects of changes in economic conditions, there is no assurance that these initiatives will be successful in generating improvements in our general and administrative expenses and our operational infrastructure. If these initiatives are unsuccessful, it could have an adverse effect on our financial condition, results of operations, cash flows and the trading price of our securities.

**The birth rate in the United States has declined and may decline further.**

Final birth data for 2019 indicate that total births in the United States declined by approximately 1% as compared to 2018. Provisional data for 2020 is not yet available; however, we expect that birth trends at the hospitals where we provide services will continue to be soft in the near future. Future declines in births are possible and could have an adverse effect on our patient volumes, net revenue, results of operations, cash flows, financial condition and the trading price of our common stock.

**Unfavorable changes or conditions could occur in the states where our operations are concentrated.**

A majority of our net revenue in 2020 was generated by our operations in five states. In particular, Texas accounted for approximately 29% of our net revenue in 2020. See Item 1. Business—"Geographic Coverage." Adverse changes or conditions affecting these particular states, such as healthcare reforms, changes in laws and regulations, reduced Medicaid eligibility or reimbursements and government investigations, economic conditions, weather conditions, and natural disasters may have an adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

**The value of our common stock may fluctuate.**

There has been significant volatility in the market price of securities of healthcare companies generally that we believe in many cases has been unrelated to operating performance. In addition, we believe that certain factors, such as actual and potential legislative and regulatory developments, including announced regulatory investigations, quarterly fluctuations in our actual or anticipated results of operations, lower revenue or earnings than those anticipated by securities analysts, not meeting publicly announced expectations, general economic and financial market conditions, and the effect of short interest in our common stock could cause the price of our common stock to fluctuate substantially.

**Risks Related to Governmental Changes and the Healthcare Regulatory Environment**

**Potential healthcare reform efforts may have a significant effect on our business.**

The ACA contains a number of provisions that have affected us and may continue to affect us over the next several years. These provisions include the establishment of health insurance exchanges to facilitate the purchase of qualified health plans, expanded Medicaid eligibility, subsidized insurance premiums and additional requirements and incentives for businesses to provide healthcare benefits. Moreover, we could be affected by potential changes to various aspects of the ACA, including changes to subsidies, healthcare insurance marketplaces and Medicaid expansion.

The ACA remains subject to continuing legislative and administrative flux and uncertainty. The law has faced many challenges, both legislative and legal, since its inception and may be subject to further modification. We cannot predict what impact, if any, further healthcare reform efforts or ACA changes may have on our business.

In 2021, the results of the federal and state elections have changed which persons and parties occupy the Office of the President of the United States and control both chambers of Congress and many states' governors and legislatures. The Biden Administration may propose sweeping changes to the U.S. healthcare system, including further changes to the ACA and further expanding government-funded health insurance options and replacing current healthcare financing mechanisms with systems that would be entirely administered by the federal government. Any legislative or administrative change to the current healthcare financing system could have a material adverse effect on our financial condition, results of operations, cash flows and the trading price of our securities.

In addition to the potential impacts to the ACA, there could be changes to other GHC Programs, such as a change to the structure of Medicaid. Congress and the Administration, in recent years, have sought to convert Medicaid into a block grant or to institute per capita spending caps, among other things. At least one state received approval for a block grant waiver from standard Medicaid requirements. These changes, if implemented, could eliminate the guarantee that everyone who is eligible and applies for benefits would receive them and could potentially give states new authority to restrict eligibility, cut benefits and make it more difficult for people to enroll. Additionally, several states are considering and pursuing changes to their Medicaid programs, such as requiring recipients to engage in employment or education activities as a condition of eligibility for most adults, disenrolling recipients for failure to pay a premium, or adjusting premium amounts based on income. Congress also could advance changes that result in more people being covered by Medicaid.

Many states have recently shifted a majority or all of their Medicaid program beneficiaries into Managed Medicaid Plans. Managed Medicaid Plans have some flexibility to set rates for providers, but many states require minimum provider rates in their contracts with such plans. In July of each year, CMS releases the annual Medicaid Managed Care Rate Development Guide which provides federal baseline rules for setting reimbursement rates in managed care plans. We could be affected by lower reimbursement rates in some or all of the Managed Medicaid Plans with which we participate. We could also be materially impacted if we are dropped from the provider network in one or more of the Managed Medicaid Plans with which we currently participate. In Florida, more than 75% of the Medicaid population participates in a Managed Medicaid Plan, with even higher participation rates for children.

We cannot predict with any assurance the ultimate effect of these laws and resulting changes to payments under GHC Programs, nor can we provide any assurance that they will not have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. Further, any fiscal tightening impacting GHC Programs or changes to the structure of any GHC Programs could have an adverse effect on our financial condition, results of operations, cash flows and the trading price of our securities.

**COVID-19 has necessitated the delivery of certain healthcare services remotely via telehealth, which is subject to extensive federal and state regulation, as well as temporary waivers tied to the COVID-19 public health emergency.**

In an effort to address shelter-in-place, quarantine, executive order or related measures to combat the spread of COVID-19, as well as the perceived need by individuals to continue such practices to avoid infection and to provide safe access to care for our patients, we have converted certain in-person visits to telehealth visits. There is significant variation in demand, consumer acceptance, and market adoption of telehealth services, as well as the laws and regulations governing telehealth in the markets in which we operate. The provision of telehealth is largely regulated at the state level and can include, among other things, variations in the definition of telehealth, physician/patient relationship requirements, informed consent for telehealth services, licensure, scope of practice, covered modalities, electronic prescribing, coverage and reimbursement, and privacy and security requirements. Our ability to conduct telehealth services and provide medical services in a particular jurisdiction is directly dependent upon the applicable laws governing remote healthcare, the practice of medicine and healthcare delivery in general in such location, which are subject to changing political, regulatory and other influences. While numerous federal agencies have released waivers to ease regulatory obstacles to the adoption of telehealth,

these waivers do not override applicable state laws. States have adopted waivers as well but differ in the scope and application of such waivers and also on the time period the waiver is available. Many state waivers in relation to COVID-19 have already expired, despite the extension of the federal public health emergency declaration. Evolving interpretations and acceptance of telehealth by medical boards, state attorneys general and other regulatory or administrative bodies require us to monitor our compliance with law in every jurisdiction in which we operate, on an ongoing basis, and we cannot provide assurance that our activities and arrangements, if challenged, will be found to be in compliance with the law. Monitoring regulatory changes at the federal and state levels has and will continue to incur costs for us and may result in making changes to our business operations to ensure continued compliance. Challenges also exist with respect to coverage and reimbursement of telehealth services by both commercial and governmental payors. If telehealth services achieve coverage, there is no guarantee that reimbursement will be equivalent to in-person care and may negatively impact our financial condition. Negative publicity in any of our markets concerning our products or services or the telehealth market as a whole could limit market acceptance of our services. Similarly, individual and healthcare industry concerns or negative publicity regarding patient confidentiality and privacy in the context of telehealth could limit market acceptance of our healthcare services when delivered remotely. If any of these events occur, it could have an adverse effect on our business, financial condition, results of operations and the trading price of our securities.

**The Medicare Access and CHIP Reauthorization Act of 2015 (“MACRA”) and potential changes to it may have a significant effect on our business.**

MACRA contains numerous measures that could affect us, including, requirements that physicians participate in quality measurement programs that differentiate payments to physicians under Medicare based on quality and cost of care, rather than the quantity of procedures performed. MACRA requires physicians to choose to participate in one of two payment formulas, MIPS or Alternative Payment Models (“APMs”). Beginning in 2020, MIPS allowed eligible physicians to receive incentive payments based on the achievement of certain quality and cost metrics, among other measures, and be reduced for those who are underperforming against those same metrics and measures. As an alternative, physicians could choose to participate in an Advanced APM, and physicians who were meaningful participants in APMs could receive bonus payments from Medicare pursuant to the law. MACRA also remains subject to review and potential modification by Congress, as well as shifting regulatory requirements established by CMS. We currently anticipate that our affiliated physicians will continue to be eligible to receive bonus payments in 2021 through participation in the MIPS, although the amounts of such bonus payments are not expected to be material. We will continue to operationalize the provisions of MACRA and assess any further changes to the law or additional regulations enacted pursuant to the law.

We cannot predict with any assurance the ultimate effect of these laws and resulting changes to payments under GHC Programs, nor can we provide any assurance that they will not have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. Further, any fiscal tightening impacting GHC Programs or changes to the structure of any GHC Programs could have an adverse effect on our financial condition, results of operations, cash flows and the trading price of our securities.

**The Transparency in Coverage Final Rule, which requires health plans to, beginning January 1, 2022, report to insureds upon request negotiated rates for all covered items and services, and cost sharing obligations for in-network and out-of-network providers, and could have a material impact on our business.**

Beginning January 1, 2022, health plans must begin reporting to their covered beneficiaries certain pricing information for covered items and services as well as the individual’s cost-sharing obligations for those services. This rule aims to put health pricing information into the hands of consumers and allow them to select their providers based, in part, on cost. Through this final rule, plans and health insurers will be required to disclose on a public website their in-network negotiated rates, billed charges and allowed amounts paid for out-of-network providers, and the negotiated rate and historical net price for prescription drugs. Price reporting will expand to all services by January 1, 2024. We cannot predict how the availability of this health pricing information may

impact our business operations and patient volumes. If patients choose to use services of less costly providers, we could see a reduction in patient volumes or decide to reduce the prices of our services to compensate, either of which could have an adverse effect on our financial condition, results of operations, cash flows and the trading price of our securities.

**State budgetary constraints and the uncertainty over the future of Medicaid could have an adverse effect on our reimbursement from Medicaid programs.**

The ACA allowed states to expand their Medicaid programs through federal payments that fund most of the cost of increasing the Medicaid eligibility income limit from a state's historic eligibility levels to 133% of the federal poverty level. As of December 31, 2020, 38 states and the District of Columbia adopted the expansion of Medicaid eligibility. All of the states in which we operate, however, already cover children in the first year of life and pregnant women if their household incomes are at or below 133% of the federal poverty level. If states that expanded Medicaid reduce or eliminate eligibility for certain individuals, the number of patients who are uninsured could increase. Some states may seek to maintain expanded eligibility and to do so could offset the cost by further reducing payments to providers of services. In some states, we could experience delayed or reduced Medicaid payment for services furnished to program enrollees.

Congress and the Biden Administration may also seek substantial reforms to Medicaid law and the ability of states to design Medicaid programs. Any changes, if enacted, could reduce or eliminate eligibility for certain individuals or reduce payments to providers of services. As a result, we could experience an increase in the number of uninsured patients and delayed or reduced Medicaid payment for services furnished to program enrollees.

In addition, many states are continuing to collect less tax revenue than they did historically and as a consequence continue to face budget shortfalls and underfunded pension and other obligations. Although shortfalls have been declining in more recent budgetary years, they are still significant by historical standards. The financial condition of the states in which we do business could lead to reduced or delayed funding for Medicaid programs and, in turn, reduced or delayed reimbursement for physician services, which could adversely affect our results of operations, cash flows and financial condition.

Any changes to Medicaid eligibility, enrollment, financing or reimbursement could have a material adverse effect on our financial condition, results of operations, cash flows and the trading price of our securities.

**Congress or states have, and may continue to, enact laws restricting the amount out-of-network providers of services can charge and recover for such services.**

In late 2020, Congress enacted legislation intended to protect patients from "surprise" medical bills when services are furnished by providers who are not subject to contractual arrangements and payment limitations with the patient's insurer. Effective January 1, 2022, patients will be protected from unexpected or "surprise" medical bills that could arise from out-of-network emergency care provided at an out-of-network facility or at in-network facilities by out-of-network providers and out-of-network nonemergency care provided at in-network facilities without the patient's informed consent. Many states have passed similar legislation, but the federal government has been working to enact a ban on surprise billing for quite some time.

Under the "No Surprises Act," patients are only required to pay the in-network cost-sharing amount, which will be determined through an established formula and will count toward the patient's health plan deductible and out-of-pocket cost-sharing limits. Providers will generally not be permitted to balance bill patients beyond this cost-sharing amount. An out-of-network provider will only be permitted to bill a patient more than the in-network cost-sharing amount for care if the provider gives the patient notice of the provider's network status and delivers to the patient or their health plan an estimate of charges within certain specified timeframes, and obtains the patient's written consent prior to the delivery of care. Providers that violate these surprise billing prohibitions may be subject to state enforcement action or federal civil monetary penalties.

These measures could limit the amount we can charge and recover for services we furnish where we have not contracted with the patient’s insurer, and therefore could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. Moreover, these measures could affect our ability to contract with certain payors and under historically similar terms and may cause, and the prospect of these changes may have caused, payors to terminate their contracts with us and our affiliated practices. Should any relationships with payors continue on an out-of-network basis, the No Surprises Act requires that rate disputes be resolved through binding arbitration, in which both the payor and provider submit a requested rate and the arbitrator selects one submission without hearing or modification of the selected request. These unpredictable results will bind both the provider and payor for a 90-day period. We cannot predict the results of such proceedings, and the results could further affect our business, financial condition, results of operations, cash flows and the trading price of our securities.

**Expanding eligibility of GHC Programs could adversely affect our reimbursement.**

In January 2018, Congress reauthorized the Children’s Health Insurance Program (“CHIP”) through 2023 and then in February 2018 lengthened this funding extension through 2027. Changes to CHIP or the ACA’s expansion of Medicaid coverage could cause patients who otherwise would have participated in private healthcare insurance programs to participate in GHC Programs, or vice versa, or cause patients who otherwise would have been covered by CHIP or Medicaid to lose insurance coverage altogether. Additional reform efforts, as well as legislative or administrative amendment or repeal of the ACA, could change the eligibility requirements for Medicaid and for other GHC Programs, including CHIP, and could increase the number of patients who participate in such programs or the number of uninsured patients.

In 2021, the results of the federal and state elections have affected which persons and parties occupy the Office of the President of the United States and control both chambers of Congress and many states’ governors and legislatures. President Biden has proposed sweeping changes to the U.S. healthcare system, including expanding government-funded health insurance options and replacing current healthcare financing mechanisms with systems that would be entirely administered by the federal government.

In general, payments received from GHC Programs are substantially less than payments received from private healthcare insurance programs (managed care and other third-party payors). A shift in the mix of our payors from private healthcare insurance programs to government payors may result in an increase in our estimated provision for contractual adjustments and uncollectibles and a corresponding decrease in our net revenue, as well as a significant reduction in our average reimbursement rates. Additionally, if Congress does not act to extend CHIP beyond 2027, or if Congress extends CHIP but substantially alters the current program, we could be adversely affected if children in states where we do business lose Medicaid coverage or payments for services furnished to these children are delayed or reduced.

**Government-funded programs, private insurers or state laws and regulations may limit, reduce or make retroactive adjustments to reimbursement amounts or rates.**

A significant portion of our net revenue is derived from payments made by GHC Programs, principally Medicare and Medicaid, including the managed care plans under the Medicare and Medicaid programs. These government-funded programs, as well as private insurers, have been and may continue to be subject to changes, including increased use of managed care organizations, value-based purchasing, and new patient care models to control the cost, eligibility for, use and delivery of healthcare services as a result of budgetary constraints and cost containment pressures due to unfavorable economic conditions, rising healthcare costs and for other reasons, including those described above under Item 1. Business—“Government Regulation—Government Regulatory Requirements.” Federal and state legislatures or administrators of these government-funded programs and private insurers may attempt other measures to control costs, including bundling of services and denial of, or reduction in, reimbursement for certain services and treatments. In addition, increased consolidation among private insurers is resulting in fewer and larger third-party payors with increased negotiating power. As a result, payments from

government programs or private payors may decrease significantly. Also, any adjustment in Medicare reimbursement rates may have a detrimental impact on our reimbursement rates not only for Medicare patients, but also for patients covered under Medicaid and other third-party payors, because a state's Medicaid payments cannot exceed the payments it would have made had those patients been enrolled in traditional Medicare, and other third-party payors often base their reimbursement rates on a percentage of Medicare rates.

In 2020, the federal Medicare agency announced changes in payments for physician services that would increase payment for services typically delivered by primary care providers, but that also would have reduced payment for many other specialty services. The impact of this change varied significantly across specialties, with some specialties potentially facing cuts of as much as 10%. Legislation enacted by Congress in December 2020 moderated the payment reductions for 2021 through 2023, but some of the relief mechanisms will be effective only in 2021, meaning physician service payments will face similar reductions again in 2022, unless Congress or the Medicare agency intervenes.

Our business may also be materially affected by limitations on, or reductions in, reimbursement amounts or rates or elimination of coverage for certain individuals or treatments. Our business may also be materially affected by changes in medical codes for services that our affiliated clinicians provide if services under a new code are reimbursed at a lower rate. For example, the medical code for certain of our hearing screen services was recently changed by CMS to a code that could provide for lower reimbursement rates. While we have not yet experienced any material decrease in reimbursement rates as a result of this coding change, we are still evaluating the result of this change on our hearing screen contracts and ultimate effect of this coding change is not known at this time. Moreover, because government-funded programs generally provide for reimbursements on a fee-schedule basis rather than on a charge-related basis, we generally cannot increase our revenue from these programs through increases in 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 programs, and cost containment measures and market changes in non-government-funded insurance plans have generally restricted our ability to recover, or shift to non-governmental payors, these increased costs. In addition, funds we receive from third-party payors 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. Any retroactive adjustments to our reimbursement amounts could have an adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

In addition, our agreements with certain third-party payors are terminable for various reasons. If an agreement with a third-party payor is terminated, we are generally required to seek reimbursement as an out-of-network provider. In the event we attempt to balance-bill patients, we may be limited in our ability to do so by certain state laws and regulations. As these laws and regulations continue to develop in certain states, it could incentivize, and may have incentivized, certain third-party payors to terminate agreements as a business strategy which could lower overall reimbursement to providers. Any reductions in reimbursement amounts could have an adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. Further, if a federal government shutdown were to occur for a prolonged period of time, federal government payment obligations, including its obligations under Medicaid and Medicare, may be delayed. Similarly, if state government shutdowns were to occur, state payment obligations may be delayed. If the federal or state governments fail to make payments under these programs on a timely basis, our business could suffer, and our financial position, results of operations or cash flows may be materially affected.

**We may become subject to billing investigations by federal and state government authorities and private insurers.**

Federal and state laws, rules and regulations impose substantial penalties, including criminal and civil fines, monetary penalties, exclusion from participation in government healthcare programs and imprisonment, on entities or individuals (including any individual corporate officers or individual providers deemed responsible) that fraudulently or wrongfully bill government-funded programs or other third-party payors for healthcare services. CMS requires states to maintain a Medicaid Recovery Audit Contractor ("RAC") program. States are



required to contract with one or more eligible Medicaid RACs to review Medicaid claims for any overpayments or underpayments, and to recoup overpayments from providers on behalf of the state.

Federal laws, along with a growing number of state laws, allow a private person to bring a civil action in the name of the government for false billing violations. See Item 1. Business—“Government Regulation—Fraud and Abuse Provisions.” Further, identified overpayments from Medicare or Medicaid must be refunded to the government within 60 days or the entity could be held liable under the federal FCA, including for treble damages and substantial civil penalties. In addition, our contracts with private insurers often provide such insurers with audit rights over payments made to us and the ability to seek recoupment for overpayments. We believe that audits, inquiries and investigations from government agencies and private insurers will occur from time to time in the ordinary course of our business, which could result in substantial costs to us, legal actions by or against us, and a diversion of management’s time and attention. New regulations and heightened enforcement activity also could materially affect our cost of doing business and our risk of becoming the subject of an audit or investigation. We cannot predict whether any future audits, inquiries or investigations, or the public disclosure of such matters, likely would have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. See Item 1. Business—“Government Investigations.”

**The healthcare industry is highly regulated, and government authorities may determine that we have failed to comply with applicable laws, rules or regulations.**

The healthcare industry and physicians’ medical practices, including the healthcare and other services that we and our affiliated physicians provide, are subject to extensive and complex federal, state and local laws, rules and regulations, compliance with which imposes substantial costs on us. Of particular importance are the provisions summarized as follows:

- federal laws (including the federal FCA) that prohibit entities and individuals from knowingly and willfully (or with reckless disregard or deliberate ignorance) presenting or causing to be presented false or fraudulent claims to Medicare, Medicaid and other government-funded programs, or improperly retaining known overpayments;
  - When an entity is determined to have violated the federal FCA, it must pay three times the actual damages sustained by the government, plus mandatory civil penalties of between \$11,363 and \$23,331 for each separate false claim. Suits filed under the federal FCA can be brought directly by the government or be brought by an individual (known as a “relator” or, more commonly, as a “whistleblower”) on behalf of the government, known as “qui tam” actions. Relators bringing qui tam actions under the federal FCA receive a share of any amounts paid by the entity to the government in fines or settlement. In addition, certain states have enacted laws modeled after the federal FCA. Qui tam actions have increased significantly in recent years, causing greater numbers of healthcare companies to have to defend a false claim action, even before the validity of the claim is established and even if the government decides not to intervene in the lawsuit. Healthcare entities may decide to agree to large settlements with the government and/or whistleblowers to avoid the cost and negative publicity associated with litigation.
  - The ACA amended federal law to provide that the government may assert that a claim including items or services resulting from a violation of the federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the federal civil FCA. Criminal prosecution is possible for knowingly making or presenting a false or fictitious or fraudulent claim to the federal government.
- a provision of the Social Security Act, commonly referred to as the federal “anti-kickback” statute, that prohibits the knowing and willful offer, payment, solicitation or receipt of any remuneration, including a bribe, kickback, rebate, directly or indirectly, in cash or in kind, in return for the referral, arrangement for, or recommendation of patients for, or for the purchasing, leasing, ordering or arranging for, items and services for which payment may be made, in whole or in part, by federal healthcare programs, such as Medicare and Medicaid;

- The definition of “remuneration” has been broadly interpreted to include anything of value, including such items as gifts, discounts, the furnishing of supplies or equipment, credit arrangements, waiver of payments, and providing anything at less than its fair market value. Due to the broad sweep of the federal anti-kickback statute, Congress established certain exceptions to the definition of remuneration under the statute and also authorized the HHS Office of the Inspector General to issue regulations, commonly known as safe harbors, that remove certain arrangements from the definition of remuneration under the statute, provided that the arrangement satisfies, in their entirety, the provisions of the particular exception or safe harbor. Meeting a statutory exception or regulatory safe harbor under the federal anti-kickback statute will assure parties to the arrangement that they will not be prosecuted under the federal anti-kickback statute. The failure of a transaction or arrangement to fit precisely within one or more safe harbors does not necessarily mean that it is illegal or that prosecution will be pursued. However, conduct and business arrangements that do not fully satisfy each applicable safe harbor element may result in increased scrutiny by government enforcement authorities or invite litigation by private citizens under state or federal false claims statutes.
- Our relationships with referral sources, including GHC Program patients, are subject to scrutiny under the federal anti-kickback statute and must be structured in a manner to promote compliance.
- The penalties for violating the federal anti-kickback statute include imprisonment for up to ten years, fines of up to \$100,000 per violation and possible exclusion from federal healthcare programs such as Medicare and Medicaid. Many states have adopted prohibitions similar to the federal Anti-Kickback Statute, some of which apply to the referral of patients for healthcare items and services reimbursed by any source, not only by the government programs such as Medicare and Medicaid.
- a provision of the Social Security Act, the federal Physician Self-Referral Law, commonly referred to as the Stark Law, that, subject to certain exceptions, prohibits physicians from making a referral to an entity for certain “designated health services” or “DHS” payable by Medicare if the physician, or an immediate family member of the physician, has a direct or indirect financial relationship (including ownership interests and compensation arrangements) with the entity. The Stark Law also prohibits such an entity from presenting or causing to be presented a claim to Medicare for DHS provided pursuant to a prohibited referral, and provides that certain collections related to any such claims must be refunded in a timely manner. Although the Stark Law is drafted to apply only to Medicare claims, the DOJ has taken the position that it applies to Medicaid claims under an extension of the federal FCA and several courts, including courts in Florida and Texas, have agreed.
  - The Stark Law is a strict liability statute and therefore, any referrals for Medicare DHS pursuant to a financial relationship that does not meet an exception will be nonpayable and subject to refund to Medicare. In addition, any Medicare “overpayment” (that is, Medicare funds to which a person is not entitled) must be returned within 60 days of identification—or risk liability under the FCA’s “obligation” provision. Therefore, claims relating to Stark Law violations must be timely refunded to Medicare or we would risk liability under the federal FCA.
  - All of our relationships with referring physicians will implicate the Stark Law, including our ownership, physician employment, independent contractor physicians, lease arrangements with physicians, nonmonetary compensation to physicians, and our relationships with hospitals and other entities. Each such financial relationship must satisfy a Stark Law exception.
  - Because our practices provide DHS within the practice (e.g., outpatient drugs, laboratory services, etc.), an exception to the Stark Law must be met with respect to those referrals. Generally, the In-Office Ancillary Services (“IOAS”) Exception is utilized for referrals of DHS made within a physician’s group practice. Alternatively, the Physician Services Exception could also be used to shield referrals of physician services within a physician group. In order to utilize both the IOAS Exception and the Physician Services Exception, the group must, among other things, satisfy the

Stark Law's definition of a "group practice." The group practice definition also encompasses how a physician practice may compensate its physician shareholders, employees, and independent contractors. For example, group practices are not permitted to distribute profits derived from DHS based directly on the volume or value of referrals. However, there are a number of ways that a group practice can distribute profits, including DHS profits, to its physicians, based indirectly upon referrals, without running afoul of the Stark Law. Our ancillary services revenues must be allocated in a compliant manner to avoid falling outside of the Group Practice definition, which would result in all of our Medicare (and potentially, Medicaid) DHS referral revenues becoming nonpayable and subject to refund.

- Violations of the Stark Law result in civil penalties and program exclusions for knowing violations, civil assessment of up to three times the amount claimed.
  - Another federal law, the Civil Monetary Penalties Law ("CMPL") provides for additional civil monetary penalties against an entity that engages in prohibited activities including but not limited to violations of the Stark or Anti-Kickback laws, knowing submission of a false or fraudulent claim, employment of an excluded individual and the provision or offer of anything of value to a Medicare or Medicaid beneficiary that the transferring party knows or should know is likely to influence beneficiary selection of a particular provider for which payment may be made in whole or in part by Medicare or Medicaid;
  - "Remuneration" is defined under the CMPL as any transfer of items or services for free or for less than fair market value. There are certain exceptions to the definition of remuneration for offerings that meet the Financial Need, Preventative Care, or Promoting Access to Care exceptions. Sanctions for violations of the CMPL include civil monetary penalties and administrative penalties up to and including exclusion from participation in federal healthcare programs.
- similar state law provisions pertaining to anti-kickback, fee splitting, self-referral and false claims, and other fraud and abuse issues which typically are not limited to relationships involving government-funded programs. In some cases these laws prohibit or regulate additional conduct beyond what federal law affects, including applicability to items and services paid by commercial insurers and private pay patients. Penalties for violating these laws can range from fines to criminal sanctions;
- provisions of 18 U.S.C. § 1347 that prohibit knowingly and willfully executing a scheme or artifice to defraud a healthcare benefit program or falsifying, concealing or covering up a material fact or making any material false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services;
- federal and state regulations that broadly define provider and supplier affiliation and require providers to disclose to GHC Programs certain disclosable events including, without limitation, current or previous direct or indirect affiliations with providers or suppliers having uncollected debt to GHC Programs, being subject to payment suspension, being excluded from participation in GHC Programs or had such billing privileges denied or revoked, and that permit GHC Programs to deny or revoke provider or supplier enrollment based upon such affiliations upon determining that the affiliations pose an undue risk of fraud, waste, or abuse;
- federal and state laws related to confidentiality, privacy and security of personal information such as HIPAA, including medical information and records, that limit the manner in which we may use and disclose that information, impose obligations to safeguard that information and require that we notify third parties in the event of a breach;
  - HIPAA violations can result in both civil monetary penalties and criminal sanctions. HIPAA has ranges of increasing minimum penalty amounts tiered according to the entity's degree of culpability, with a maximum penalty of \$1,500,000 for all violations of an identical provision within a year. Further, HHS has obtained increasingly high dollar settlements from covered entities relating to HIPAA violations over the past several years.

- Unsecured Breaches of PHI may also result in unexpected costs in the millions of dollars to us through third party litigation, contractual breaches, and breach notification and remediation. In addition, we may experience reputational harms and a negative market perception when it comes to protecting patient data that could influence our future operations.
- state laws that prohibit general business corporations from practicing medicine, controlling physicians' medical decisions or engaging in certain practices, such as splitting fees with physicians;
- federal and state laws governing participation in GHC Programs could result in denial of our application to become a participating provider or revocation of our participation or billing privileges, which in turn, could cause us to not be able to treat patients covered by the applicable program or prohibit us from billing for the treatment services provided to such patients;
- federal and state laws that prohibit providers from billing and receiving payment from Medicare and Medicaid for services unless the services are medically necessary, adequately and accurately documented and billed using codes that accurately reflect the services rendered;
- federal and state laws pertaining to the provision and coverage of services by non-physician practitioners, such as advanced nurse practitioners, physician assistants and other clinical professionals, physician supervision of such services and reimbursement requirements that may be dependent on the manner in which the services are provided and documented; and
- federal laws that impose civil administrative sanctions for, among other violations, inappropriate billing of services to federal healthcare programs, inappropriately reducing hospital inpatient lengths of stay for such patients or employing individuals who are excluded from participation in federally funded healthcare programs.

In addition, we believe that our business will continue to be subject to increasing regulation, the scope and effect of which we cannot predict. See Item 1. Business—"Government Regulation."

We may in the future become the subject of regulatory or other investigations, audits or proceedings, and our interpretations of applicable laws, rules and regulations may be challenged. For example, regulatory authorities or other parties may assert that our arrangements with our affiliated professional entities constitute fee splitting or the corporate practice of medicine and seek to invalidate these arrangements, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. See Item 1. Business—"Government Regulation—Fee Splitting; Corporate Practice of Medicine." Regulatory authorities or other parties also could assert that our relationships, including fee arrangements, among our affiliated professional contractors, hospital clients or referring physicians violate the anti-kickback, fee splitting or self-referral laws and regulations or that we have submitted false claims or otherwise failed to comply with government program reimbursement requirements. See Item 1. Business—"Government Regulation—Fraud and Abuse Provisions" and "—Government Regulatory Requirements." Such investigations, proceedings and challenges could result in substantial defense costs to us and a diversion of management's time and attention. In addition, violations of these laws are punishable by monetary fines, civil and criminal penalties, exclusion from participation in GHC Programs, and forfeiture of amounts collected in violation of such laws and regulations, any of which could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. Additionally, federal and state fraud and abuse laws, rules and regulations are not static and amendments, clarifications, revisions, or other modifications to these laws may occur from time to time. For instance, on December 2, 2020, both CMS and the Department of Health and Human Services Office of Inspector General ("OIG") issued Final Rules revising the federal anti-kickback statute, the CMPL, and the Stark Law regulations to foster arrangements that would promote care coordination, advance the delivery of value-based care, and protect consumers from harms caused by fraud and abuse through additional new statutory definitions, safe harbors, and exceptions. Both current and future arrangements may be eligible for additional protections under new exceptions and safe harbors and certain arrangements may need to be reconsidered in light of changes made to existing exceptions, safe

harbors, and agency definitions. Compliance with federal fraud and abuse laws such as the anti-kickback statute, the CMPL, and the Stark Law involves constant monitoring for regulatory changes, agency and court interpretations, and revisiting of arrangements based on new interpretations or clarifications, all of which will require ongoing compliance costs. In addition, these laws and their exceptions and safe harbors are complex and clear interpretations are not always available. Despite our efforts to comply, we cannot guarantee that a government agency will necessarily agree with our interpretations or that one or more of our arrangements will not be subject to challenge, nor can we provide any assurance that they will not have an adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

**Government authorities or other parties may assert that our business practices violate antitrust laws.**

The healthcare industry is subject to close antitrust scrutiny. The FTC, the Antitrust Division of the DOJ and state Attorneys General all actively review and, in some cases, take enforcement action against business conduct and acquisitions in the healthcare industry. Private parties harmed by alleged anticompetitive conduct can also bring antitrust suits. Violations of antitrust laws may be punishable by substantial penalties, including significant monetary fines and treble damages, civil penalties, criminal sanctions, and consent decrees and injunctions prohibiting certain activities or requiring divestiture or discontinuance of business operations. Any of these penalties could have an adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

**Our affiliated physicians and other individual providers may not satisfy all conditions of payment or otherwise appropriately record or document services that they provide.**

Our affiliated physicians and other individual providers are responsible for maintaining all required professional licensures or certifications in good standing, which is generally a condition of reimbursement in GHC Programs, and for appropriately recording and documenting the services that they provide. We use this information to seek reimbursement for their services from third-party payors. In addition, we utilize third-party contractors to perform certain revenue cycle management functions for healthcare providers, including medical coding. If our affiliated physicians or other individual providers and third-party contractors do not appropriately document, or where applicable, code for their services or our customers' services, we could be subjected to administrative, regulatory, civil, or criminal investigations or sanctions and our business, financial condition, results of operations and cash flows could be materially adversely affected. We are further obligated under the federal FCA to timely report and return any identified overpayments and to maintain reasonable internal audit mechanisms to identify overpayments. Failure to timely report and return overpayments to Medicare or Medicaid could subject us to liability under the federal FCA, and also equivalent false claims acts on the state level.

**Risks Related to Our Business Strategy**

**We may not find suitable acquisition candidates or successfully integrate our acquisitions. Our acquisitions may expose us to greater business risks and could affect our payor mix.**

We have expanded and continue to seek to expand our presence in new and existing metropolitan areas by acquiring established physician group practices. Also, both independently and in collaboration with our hospital partners, we may seek to expand into new specialties and subspecialties. In addition, we have acquired physician and other healthcare services companies that are complementary to our physician practices.

Our acquisition strategy involves numerous risks and uncertainties, including:

- We may not be able to identify suitable acquisition candidates or strategic opportunities or implement successfully or realize the expected benefits of any suitable opportunities. In addition, we compete for acquisitions with other potential acquirers, some of which may have greater financial or operational resources than we do. This competition may intensify due to the ongoing consolidation in the healthcare industry, which may increase our acquisition costs.

- We may not be able to complete acquisitions of physician practices or services companies or we may complete acquisitions on less favorable terms as a result of changes in tax laws, healthcare fraud and abuse laws, financial market or other economic or market conditions.
- We may not be able to successfully integrate completed acquisitions, including our recent acquisitions. Integrating completed acquisitions into our existing operations involves numerous short-term and long-term risks, including diversion of our management's attention, failure to retain key personnel, long-term value of acquired intangible assets and acquisition expenses. In addition, we may be required to comply with laws, rules and regulations that may differ not only from those of the states in which our operations are currently conducted but from an expansion in the service offerings we provide in certain states for which the laws, rules and regulations may be different.
- We cannot be certain that any acquired business will continue to maintain its pre-acquisition revenue and growth rates or be financially successful. In addition, we cannot be certain of the extent of any unknown or contingent liabilities of any acquired business, including liabilities for failure to comply with applicable laws, or liabilities relating to medical malpractice claims. Generally, we obtain indemnification agreements from the sellers of businesses acquired with respect to pre-closing acts, omissions and other similar risks. It is possible that we may seek to enforce indemnification provisions in the future against sellers who may no longer have the financial wherewithal to satisfy their obligations to us. Accordingly, we may incur material liabilities for past activities of acquired businesses.
- We could incur or assume indebtedness and issue equity in connection with acquisitions. The issuance of shares of our common stock for an acquisition may result in dilution to our existing shareholders and, depending on the number of shares that we issue, the resale of such shares could affect the trading price of our common stock.
- We may acquire businesses that derive a greater portion of their revenue from GHC Programs than what we recognize on a consolidated basis or that have business models with lower operating margins than ours. These acquisitions could affect our overall payor mix or operating results in future periods.
- Acquisitions of practices and services companies could entail financial and operating risks not fully anticipated. Such acquisitions could divert management's attention and our resources.
- An acquisition could be subject to a challenge under the antitrust laws either before or after it is consummated. Such a challenge could involve substantial legal costs and divert management's attention and resources and could result in us having to abandon the transaction or make a divestiture.

If we are not successful in integrating an acquisition, we may decide to dispose of such acquisition and may do so at a loss or record impairments in connection with such a disposition, such as in our disposition of our anesthesiology and radiology medical groups in 2020.

**We may not be able to successfully execute our same-unit and organic growth strategies.**

In addition to our acquisition growth strategy, we seek opportunities for increasing revenue from our existing operations through same-unit and organic growth strategies. We also seek opportunities to grow organically outside of our existing operations. We may not be able to successfully execute our same-unit and organic growth strategies for reasons including the following:

- We may not be able to expand the services that our affiliated physicians provide to our hospital partners or the services provided by our services companies to their customers.
- We may not be able to attract referrals to our office-based practices or neonatology transports to our hospital-based units.
- We may not be able to execute new contractual arrangements with hospitals, including through joint ventures, where we either currently provide or do not currently provide physician services.

- We may not be able to work with our hospital partners to develop integrated services programs for which we become a multi-specialty provider of solutions within the maternal-fetal, newborn, pediatric continuum of care.
- We may not accurately project same-unit and organic growth performance, or we may experience a shift in the mix of services that certain of our customers request from us, potentially resulting in lower margins.

In addition, certain of our organic growth strategies may involve risks and uncertainties similar to those for our acquisition strategy. See “We may not find suitable acquisition candidates or successfully integrate our acquisitions. Our acquisitions may expose us to greater business risks and could affect our payor mix.”

**We may not effectively manage our growth.**

We have historically experienced significant growth in our business, including growth outside of our core physician specialties. Growth in the number of our employees and affiliated physicians has in the past placed significant demands on our financial, operational and management resources. Significant 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 adversely affected if we are unable to do so effectively.

**Failure to manage third-party service providers may adversely affect our ability to maintain the quality of service that we provide.**

We outsource a certain portion of our revenue cycle management functions to third-party service providers, but we may increase the amount of revenue cycle management functions we outsource in the future. These functions are performed both domestically and in offshore locations, with our oversight. If our outsourcing partners fail to perform their obligations in a timely manner at satisfactory quality levels, in compliance with regulatory requirements, or if they are unable to attract or retain sufficient personnel with the necessary skill sets to meet our outsourcing needs, the efficiency, effectiveness and quality of our services could suffer. In addition, our reliance on a workforce in other countries exposes us to disruptions in the business, political and economic environment in those regions. Further, any changes to existing laws or the enactment of new legislation restricting offshore outsourcing in the United States may adversely affect our ability to outsource functions to third-party offshore service providers. Our ability to manage any difficulties encountered could be largely outside of our control. In addition, federal government and third-party payors may have prohibitions or restrictions on the use of third-party service providers outside of the United States and/or require notice for the use of such third-party service providers. Diminished service quality from outsourcing, our inability to utilize offshore service providers or the failure to comply with restrictions on the use of third-party service providers could have an adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

**Hospitals or other customers may terminate their agreements with us, our physicians may lose the ability to provide services in hospitals or administrative fees paid to us by hospitals may be reduced.**

Our net revenue is derived primarily from fee-for-service billings for patient care and other services provided by our affiliated physicians and from administrative fees paid to us by hospitals. See Item 1. Business—“Relationships with Our Partners—Hospitals.” Our hospital partners or other customers may cancel or not renew their contracts with us, may reduce or eliminate our administrative fees in the future, or refuse to pay us our administrative fees if we fail to honor the terms of our agreement or fail to meet certain performance metrics under those agreements. Further, consolidation of hospitals, healthcare systems or other customers could adversely affect our ability to negotiate with these entities. Adverse economic conditions, including decreased federal and state funding to hospitals, could influence future actions of our hospital partners or other customers.

To the extent that our arrangements with our hospital partners or other customers are canceled, or are not renewed or replaced with other arrangements having at least as favorable terms, our business, financial condition and results of operations could be adversely affected. In addition, to the extent our affiliated physicians lose their privileges in hospitals or hospitals enter into arrangements with or employ other physicians, including our existing affiliated physicians, our business, financial condition, results of operations and cash flows could be adversely affected.

### **Risks Related to Operating our Business**

#### **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 personnel for the management of our business and implementation of our business strategy. We experienced significant management turnover in 2020 and the further loss of or changes in key management personnel could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

#### **Our quarterly results will likely fluctuate from period to period.**

We have historically experienced and expect to continue to experience quarterly fluctuations in net revenue and net income. For example, we typically experience negative cash flow from operations in the first quarter of each year, principally as a result of bonus payments to affiliated physicians as well as discretionary matching contributions for participants in our qualified contributory savings plans. In addition, a significant number of our employees and associated professional contractors (primarily affiliated physicians) exceed the level of taxable wages for social security contributions during the first and second quarters. As a result, we incur a significantly higher payroll tax burden and our net income is lower during those quarters. Moreover, 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. Because we provide services in the NICU on a 24-hours-a-day basis, 365 days a year, any reduction in service days will have a corresponding reduction in net revenue. In addition, any reduction in office days in our office-based practices will also have a corresponding reduction in net revenue. We also have significant fixed operating costs, including costs for our affiliated physicians, and as a result, are highly dependent on patient volume and capacity utilization of our affiliated physicians to sustain profitability. Quarterly results may also be impacted by the timing of acquisitions and any fluctuation in patient volume. As a result, our results of operations for any quarter are not indicative of results of operations for any future period or full fiscal year.

#### **We may write-off intangible assets, such as goodwill.**

The carrying value of our intangible assets, which consists primarily of goodwill related to our acquisitions, is subject to testing at least annually, and more frequently if impairment indicators exist. Under current accounting standards, goodwill is tested for impairment on an annual basis and we have been subject to impairment losses as circumstances have changed after acquisition. If we record additional impairment losses related to our goodwill in the future, it could have an adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

#### **We are subject to medical malpractice and other lawsuits that may not covered by insurance.**

Our business entails an inherent risk of claims of medical malpractice against our affiliated physicians and us. We may also be subject to other lawsuits which may involve large claims and significant defense costs. Although we currently maintain liability insurance coverage intended to cover professional liability and other claims, there can be no assurance that our insurance coverage will be adequate to cover liabilities arising out of claims asserted against us where the outcomes of such claims are unfavorable to us. Generally, we self-insure our liabilities to pay retention amounts for professional liability matters through a wholly owned captive insurance



subsidiary. Liabilities in excess of our insurance coverage, including coverage for professional liability and other claims, could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. See Item 1. Business—“Other Legal Proceedings” and— “Professional and General Liability Coverage.”

**The reserves that we have established related to our professional liability losses are subject to inherent uncertainties and if actual costs exceed our estimates this may lead to a reduction in our net earnings.**

We have established reserves for losses and related expenses that represent estimates involving actuarial projections. These actuarial projections are developed at a given point in time and represent our expectations of the ultimate resolution and administration of costs of losses incurred with respect to professional liability risks for the amount of risk retained by us. Insurance reserves are inherently subject to uncertainty. Our reserve estimates are based on actuarial valuations using historical claims, demographic factors, industry trends, severity and exposure factors and other actuarial assumptions. The estimates of projected ultimate losses are developed at least annually. Our reserves have been, and could further be, significantly affected should current and future occurrences differ from historical claim trends and expectations. While claims are monitored closely when estimating reserves, the complexity of the claims and wide range of potential outcomes often hamper timely adjustments to the assumptions used in these estimates. Actual losses and related expenses may deviate, perhaps substantially, from the reserve estimates reflected in our financial statements. If our estimated reserves are determined to be inadequate, we have been and could further be required to increase reserves at the time the deficiency is determined. See Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—“Application of Critical Accounting Policies and Estimates—Professional Liability Coverage.”

**We are subject to litigation risks.**

From time to time, we are involved in various litigation matters and claims, including regulatory proceedings, administrative proceedings, governmental investigations, and contract disputes, as they relate to our services and business. We may face potential claims or liability for, among other things, breach of contract, defamation, libel, fraud, negligence or data breaches. Our contracts with hospitals generally require us to indemnify them and their affiliates for losses resulting from the negligence of our affiliated physicians and other clinicians. We may also face employment-related litigation, including claims of age discrimination, sexual harassment, gender discrimination, immigration violations, or other local, state, and federal labor law violations. Because of the uncertain nature of litigation and insurance coverage decisions, the outcome of such actions and proceedings cannot be predicted with certainty and an unfavorable resolution of one or more of them could have an adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. In addition, legal fees and costs associated with prosecuting and defending litigation matters could have an adverse effect on our business, financial condition, results of operation and the trading price of our securities.

**We may not be able to collect reimbursements for our services from third-party payors.**

A significant portion of our net revenue is derived from reimbursements from various third-party payors, including GHC Programs, private insurance plans and managed care plans, for services provided by our affiliated professional contractors. We are responsible for submitting reimbursement requests to these payors and collecting the reimbursements, and we assume the financial risks relating to uncollectible and delayed reimbursements. In the current healthcare environment, payors continue efforts to control expenditures for healthcare, including revisions to coverage and reimbursement policies. Due to the nature of our business and our participation in government-funded and private reimbursement programs, we are involved from time to time in inquiries, reviews, audits and investigations by governmental agencies and private payors of our business practices, including assessments of our compliance with coding, billing and documentation requirements. We may be required to repay these agencies or private payors if a finding is made that we were incorrectly reimbursed within a certain time period (60 days for government payors), or we may become involved in

disputes with payors and could be subjected to pre-payment and post-payment reviews, which can be time-consuming and result in non-payment or delayed payment for the services we provide. We may also experience difficulties in collecting reimbursements because third-party payors may seek to reduce or delay reimbursements to which we are entitled for services that our affiliated physicians have provided, they experience administrative issues that result in a delay in reimbursements, or pursuant to binding arbitration proceedings for out-of-network items or services. In addition, GHC Programs may deny or revoke our application to become a participating provider if we do not disclose certain events relating to our affiliates or for other reasons that could cause us to not be able to provide services to patients or prohibit us from billing for such services. If we are not reimbursed fully or in a timely manner for such services or there is a finding that we were incorrectly reimbursed, our revenue, cash flows and financial condition could be materially, adversely affected. In addition, we may choose to challenge certain GHC reimbursement decisions through administrative appeal mechanisms. Currently, many of those appeal pathways are backlogged and slow to provide resolution, further affecting our ability to collect reimbursement for services rendered.

In addition, adverse economic conditions could affect the timeliness and amounts received from our third-party and government payors which would impact our short-term liquidity needs.

### **Risks Related to our Capital Structure**

**Our current indebtedness and any future indebtedness could adversely affect us by reducing our flexibility to respond to changing business and economic conditions and expose us to interest rate risk to the extent of any variable rate debt. In addition, a certain portion of our interest expense may not be deductible.**

As of December 31, 2020, our total indebtedness was \$1.75 billion, all of which was at fixed interest rates, of which \$0.75 billion was repaid in January 2021. We also had \$900.0 million of additional borrowing capacity under our revolving line of credit which was subject to a variable interest rate. Other debt we incur also could be variable rate debt. In addition, the Tax Cuts and Jobs Act of 2017 places certain limitations on the deductibility of interest expense at a percentage of taxable income. If interest rates increase, any variable rate debt will create higher debt service requirements, and if interest expense increases beyond a specified percentage of taxable income, a portion of that interest expense may not be deductible for income tax purposes, which could adversely affect our results of operations and cash flows.

We have limited restrictions on incurring substantial additional indebtedness in the future. Our current indebtedness and any future increases in leverage could have adverse consequences on us, including:

- a substantial portion of our cash flow from operations will be required to service interest and principal payments on our debt and will not be available for operations, working capital, capital expenditures, expansion, acquisitions, dividends or general corporate or other purposes;
- our ability to obtain additional financing in the future may be impaired;
- we may be more highly leveraged than our competitors, which may place us at a competitive disadvantage;
- our flexibility in planning for, or reacting to, changes in our business and industry may be limited; and
- we may be more vulnerable in the event of a downturn in our business, our industry or the economy in general.

Our ability to make payments on and to refinance our debt will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, business, financial, competitive, legislative, regulatory, and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available under our revolving line of credit in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs.

Any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in other defaults, disrupt our operations and cause a reduction of our credit rating, which could further harm our ability to finance or refinance our obligations and business operations.

If our cash flows and capital resources are insufficient to fund our debt service requirements, we may be forced to reduce or delay acquisitions or other investments, or to seek additional capital, or restructure or refinance our indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. We cannot assure you that we will be able to refinance any of our debt, including our revolving line of credit and senior notes, on commercially reasonable terms or at all.

**Provisions of our articles and bylaws could deter takeover attempts, but our business could be negatively affected as a result of shareholder activism.**

Our Amended and Restated Articles of Incorporation, as amended, 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. In addition, provisions in our Amended and Restated Articles of Incorporation, as amended, and 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 Mednax through a proxy contest or consent solicitation, however, there is no assurance that these provisions would have such an effect. These provisions could limit the price that some investors might be willing to pay in the future for our shares of common stock. Notwithstanding these provisions, we could, and have, become the target of activist shareholders who acquire ownership positions in our common stock and seek to influence our company. Responding to actions by activist shareholders can be costly and time-consuming, disrupt our business and divert the attention of our Board of Directors, management and employees. Additionally, perceived uncertainties as to our future direction, including the composition of our Board of Directors, as a result of shareholder activism may lead to the perception of a change in the direction of our business or other instability, which may be exploited by our competitors, cause concern to our current or potential customers and acquisition candidates, and make it more difficult for us to attract and retain qualified personnel, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows and the trading prices of our securities. In addition, the trading prices of our securities may experience periods of increased volatility as a result of shareholder activism.

**Risks Related to Labor**

**We may not be able to successfully recruit, onboard and retain qualified physicians and other clinicians and other personnel, and our compensation expense for existing clinicians and other personnel may increase.**

We are dependent upon our ability to recruit and retain a sufficient number of qualified physicians and other clinicians and other personnel to service existing units at hospitals and our affiliated practices and expand our business. We compete with many types of healthcare providers, including teaching, research and government institutions, hospitals and health systems and other practice and services groups, for the services of qualified clinicians. We may not be able to continue to recruit new clinicians or other personnel or renew contracts with existing clinicians or other personnel on acceptable terms. We have and may seek to renew clinician contracts prior to their existing renewal date for various reasons, including to move clinicians to a different compensation structure. We may not be successful in these early renewal efforts, and further, clinical compensation may increase as a result of incremental compensation incentives that may be required by clinicians to agree to the change in compensation structure. In addition, the recruiting and onboarding process for certain of our physicians and other clinicians can take several months, or longer, to complete due to various requirements, including state

licensing and hospital credentialing. In addition, if the demand exceeds the supply for physicians and other clinicians and personnel either in general or in specific markets, we could experience an increase in compensation expense, including premium pay and agency labor costs. If we are unable to recruit new physicians, renew contracts on acceptable terms or onboard physicians, clinicians and other personnel in a reasonable period of time, our ability to service existing or new hospital units and staff existing or new office-based practices could be adversely affected. In addition, if we experience a higher rate of growth in compensation expense, our business, financial condition, results of operations, cash flows and the trading price of our securities could be adversely affected.

**A significant number of our affiliated physicians or other clinicians could leave our affiliated practices or our affiliated professional contractors may be unable to enforce the non-competition covenants of departed physicians.**

Our affiliated professional contractors usually enter into employment agreements with our affiliated physicians. Certain of our employment agreements can be terminated without cause by any party upon prior written notice. In addition, substantially all of our affiliated physicians have agreed not to compete within a specified geographic area for a certain period after termination of employment. The law governing non-compete agreements and other forms of restrictive covenants varies from state to state. Although we believe that the non-competition and other restrictive covenants applicable to our affiliated physicians are reasonable in scope and duration and therefore enforceable under applicable state law, courts and arbitrators in some states may be reluctant to enforce non-compete agreements and restrictive covenants against physicians. In addition, we have and may incur significant legal fees to pursue enforcement of such agreements and restrictive covenants. Our affiliated physicians or other clinicians may leave our affiliated practices for a variety of reasons, including in order to provide services for other types of healthcare providers, such as teaching, research and government institutions, hospitals and health systems and other practice groups. If a substantial number of our affiliated physicians or other clinicians leave our affiliated practices, we could incur significant legal fees to pursue enforcement of certain covenants within employment agreements or if our affiliated professional contractors are unable to enforce the non-competition covenants in the employment agreements, our business, financial condition, results of operations and cash flows could be adversely affected.

**Information Systems, Cybersecurity and Data Privacy Risks**

**We may not be able to maintain effective and efficient information systems or properly safeguard our information systems.**

Our operations are dependent on uninterrupted performance of our information systems. Failure to maintain reliable information systems, disruptions in our existing information systems or the implementation of new systems could cause disruptions in our business operations, including errors and delays in billings and collections, difficulty satisfying requirements under hospital contracts, disputes with patients and payors, violations of patient privacy and confidentiality requirements and other regulatory requirements, increased administrative expenses and other adverse consequences.

In addition, information security risks have generally increased in recent years, and in particular during COVID-19 because of new technologies and the increased activities of perpetrators of cyber-attacks resulting in the theft of protected health, business or financial information. Despite our layered security controls, experienced computer programmers and hackers have been and may be able to penetrate our information systems and may have and may be able to misappropriate or compromise sensitive patient or personnel information or proprietary or confidential information, create system disruptions or cause shutdowns. They also may be able to develop and deploy viruses, worms and other malicious software programs that disable our systems or otherwise exploit any security vulnerabilities. Outside parties may also attempt to fraudulently induce employees to take actions, including the release of confidential or sensitive information or to make fraudulent payments, through illegal electronic spamming, phishing or other tactics.

A failure in or breach of our information systems as a result of cyber-attacks or other tactics could disrupt our business, has and may result in the release or misuse of PHI, confidential or proprietary business information, and has or may cause financial loss, damage our reputation, increase our administrative expenses, and expose us to additional risk of liability to federal or state governments or individuals. Although we believe that we have reasonable and appropriate information security procedures and other safeguards in place, which are monitored and routinely tested internally and by external parties, as cyber threats continue to evolve, we have been and may be required to expend additional resources to continue to enhance our information security measures or to investigate and remediate any information security vulnerabilities. Our remediation efforts may not be successful and could result in interruptions, delays or cessation of service and loss of existing or potential customers and disruption of our operations, including, without limitation, our billing processes. In addition, breaches of our security measures and the unauthorized dissemination of patient healthcare and other sensitive information, proprietary or confidential information about us, our patients, clients or customers, or other third-parties, could expose such persons' personal information to the risk of financial or medical identity theft or expose us or such persons to a risk of loss or misuse of this information, have resulted in litigation and potential liability for us, and could damage our brand and reputation or otherwise harm our business. Additionally, under certain circumstances, we could be excluded temporarily or permanently from certain commercial or GHC Programs. Any of these disruptions or breaches of security could have an adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

**We may experience difficulties implementing new technology, software and processes.**

We are engaged in various implementation efforts for new technology, software and processes, including cloud-based solutions for an enterprise resource planning system (“ERP”) and telehealth support, among others. These solutions are designed to provide greater efficiency and flexibility across our enterprise. The ERP cloud-based solution implementation will require significant investments of human and financial resources. In implementing this and other solutions, we may experience significant delays, increased costs and other difficulties. Any significant disruption or deficiency in the design and implementation of these solutions could adversely affect our ability to operate our business. While we have invested significant resources in planning and project management, unforeseen implementation issues may arise. In addition, our efforts to centralize various business processes and functions within our organization in connection with our system implementations may disrupt our operations. Any implementation issues or business operation disruptions could have a material effect on our business, financial condition, results of operations, cash flows, internal controls over financial reporting and the trading price of our securities.

**Hospitals could limit our ability to use our management information systems in our units by requiring us to use their own management information systems.**

Our management information systems are used to support our day-to-day operations and ongoing clinical research and business analysis. If a hospital prohibits us from using our own management information systems, it may interrupt the efficient operation of our information systems which, in turn, may limit our ability to operate important aspects of our business, including billing and reimbursement as well as research and education initiatives. This inability to use our management information systems at hospital locations may have an adverse effect on our business, financial condition, results of operations and cash flows.

**Federal and state laws that protect the privacy and security of personal information may increase our costs and limit our ability to collect and use that information and subject us to liability if we are unable to fully comply with such laws.**

Numerous federal and state laws, rules and regulations govern the collection, dissemination, use, security and confidentiality of personal information, including individually identifiable health information. These laws include:

- Provisions of HIPAA that limit how covered entities and business associates may use and disclose PHI, provide certain rights to individuals with respect to that information and impose certain security requirements;
- HITECH, which required the OCR to strengthen and expand the HIPAA Privacy Rule and Security Rule and imposes data breach notification obligations;
- Other federal and state laws restricting the use and protecting the privacy and security of personal information, including health information, many of which are not preempted by HIPAA, and certain states have proposed or enacted legislation that will create new data privacy and security obligations for certain entities, such as the California Consumer Protection Act (CCPA), as amended by the California Privacy Rights Act;
- Federal and state consumer protection laws, including the Federal Trade Commission's authority under Section 5; and
- Federal and state laws regulating the conduct of research with human subjects.

As part of our business operations, including our medical record keeping, third-party billing, research and other services, we collect and maintain PHI in paper and electronic format. Standards related to health information, whether implemented pursuant to HIPAA, HITECH, state laws, federal or state action or otherwise, could have a significant effect on the manner in which we handle personal information, including PHI, and communicate with payors, providers, patients and others, and compliance with these standards could impose significant costs on us or limit our ability to offer services, thereby negatively impacting the business opportunities available to us.

In addition to the laws above, we may see more stringent state and federal privacy legislation in 2021 and beyond, including potential changes to HIPAA or the enactment of a federal privacy law, as the increased cyber-attacks during COVID-19 have once again put a spotlight on data privacy and security in the U.S. and other jurisdictions. We cannot predict where new legislation might arise, the scope of such legislation, or the potential impact to our business and operations.

If we are alleged to not comply with existing or new laws, rules and regulations related to PHI or other personal information we could be subject to litigation and to sanctions that include monetary fines, civil or administrative penalties, civil damage awards or criminal penalties.

**Risks Related to Competition and Consolidation**

**Our industry is highly competitive.**

The healthcare industry is highly competitive and subject to continual changes in the methods by which services are provided and the manner in which healthcare providers are selected and compensated. Because our operations consist primarily of physician services provided within hospital-based units, we compete with other healthcare services companies and physician groups for contracts with hospitals to provide our services to patients. We also face competition from hospitals themselves to provide our services.

Further, consolidation within the healthcare industry could strengthen certain competitors that provide services to hospitals and other customers. Companies in other healthcare industry segments, some of which have

greater financial and other resources than ours, may become competitors in providing neonatal, maternal-fetal or other pediatric subspecialty care. Additionally, we face competition from healthcare-focused and other private equity firms. We may not be able to continue to compete effectively in this industry, additional competitors may enter metropolitan areas where we operate, and this increased competition may have an adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our two corporate office buildings, which we own, are located in Sunrise, Florida and contain 260,000 square feet of office space. We also lease space in hospitals and other facilities for our business and medical offices, and other needs. We believe that our facilities and the equipment used in our business are in good condition, in all material respects, and sufficient for our present needs.

**ITEM 3. LEGAL PROCEEDINGS**

The information required by this Item is included in and incorporated herein by reference to Item 1. Business of this Form 10-K under “Government Investigations” and “Other Legal Proceedings.”

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Common Stock

Our common stock is traded on the New York Stock Exchange (the "NYSE") under the symbol "MD."

As of February 12, 2021, we had 208 holders of record of our common stock, and the closing sales price on that date for our common stock was \$28.25 per share. We believe that the number of beneficial owners of our common stock is greater than the number of record holders because a significant number of shares of our common stock is held through brokerage firms in "street name."

#### Dividend Policy

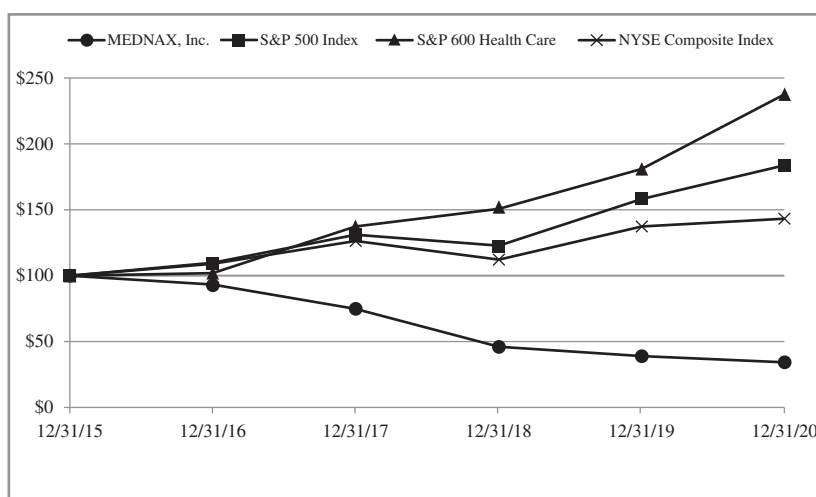
We did not declare or pay any cash dividends on our common stock in 2020, 2019, or 2018. The payment of any future dividends will be at the discretion of our Board of Directors and will depend upon, among other things, future earnings, results of operations, capital requirements, our general financial condition, general business conditions and contractual restrictions on payment of dividends, if any, as well as such other factors as our Board of Directors may deem relevant. Our credit agreement (the "Credit Agreement") imposes certain limitations on our ability to declare and pay cash dividends. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—"Liquidity and Capital Resources."



## Performance Graph

The following graph compares the cumulative total shareholder return on \$100 invested on December 31, 2015 in our common stock against the cumulative total return of the S&P 500 Index, S&P 600 Health Care Index, and the NYSE Composite Index. The returns are calculated assuming reinvestment of dividends. The graph covers the period from December 31, 2015 through December 31, 2020. The stock price performance included in the graph is not necessarily indicative of future stock price performance.

*The performance graph shall not be deemed incorporated by reference by any general statement incorporating by reference this annual report into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such acts.*



| Company/Index             | Base Period | Years Ended December 31, |          |          |          |          |
|---------------------------|-------------|--------------------------|----------|----------|----------|----------|
|                           | 2015        | 2016                     | 2017     | 2018     | 2019     | 2020     |
| Mednax, Inc. ....         | \$100.00    | \$ 93.02                 | \$ 74.57 | \$ 46.05 | \$ 38.78 | \$ 34.25 |
| S&P 500 Index ....        | \$100.00    | \$109.54                 | \$130.81 | \$122.65 | \$158.07 | \$183.77 |
| S&P 600 Health Care ....  | \$100.00    | \$101.94                 | \$137.09 | \$150.49 | \$180.79 | \$237.58 |
| NYSE Composite Index .... | \$100.00    | \$109.01                 | \$126.28 | \$112.14 | \$137.16 | \$143.19 |

## Issuer Purchases of Equity Securities

During the three months ended December 31, 2020, we did not repurchase any shares of our equity securities.

## Recent Sales of Unregistered Equity Securities

During the three months ended December 31, 2020, we did not sell any unregistered shares of our equity securities.

## Equity Compensation Plans

Information regarding equity compensation plans is set forth in Item 12 of this Form 10-K and is incorporated herein by reference.

## ITEM 6. SELECTED FINANCIAL DATA

The following table includes selected consolidated financial data set forth as of and for each of the three years in the period ended December 31, 2020 on a comparable basis. The balance sheet data at December 31, 2020 and 2019, and the income statement data for the years ended December 31, 2020, 2019 and 2018, have been derived from the Consolidated Financial Statements included in this Form 10-K. This selected financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our Consolidated Financial Statements and the related notes included in Items 7 and 8, respectively, of this Form 10-K. The selected consolidated financial data for the years ended December 31, 2017 and 2016 has not been restated to present our anesthesiology services medical group and radiology services medical group that were divested on May 6, 2020 and on December 15, 2020, respectively, as discontinued operations and is therefore not comparable. See Note 9 to the Consolidated Financial Statements for additional information on the divestiture of our anesthesiology services and radiology services medical groups.

| (in thousands, except per share and other operating data) | <u>2020</u>         | <u>2019</u>           | <u>2018</u>       | <u>2017</u>       | <u>2016</u>       |
|---|---------------------|-----------------------|-------------------|-------------------|-------------------|
| <b>Consolidated Income Statement Data:</b>                |                     |                       |                   |                   |                   |
| Net revenue   | \$1,733,951         | \$ 1,779,759          | \$1,723,107       | \$3,253,391       | \$3,183,159       |
| Operating expenses:                                       |                     |                       |                   |                   |                   |
| Practice salaries and benefits                            | 1,193,940           | 1,180,759             | 1,125,671         | 2,227,335         | 2,031,220         |
| Practice supplies and other operating expenses            | 90,690              | 95,911                | 92,475            | 106,444           | 118,416           |
| General and administrative expenses                       | 248,947             | 244,512               | 232,218           | 385,864           | 372,572           |
| Depreciation and amortization                             | 28,441              | 25,931                | 24,355            | 78,856            | 89,264            |
| Transformational and restructuring related expenses       | 73,801              | 60,890                | —                 | —                 | —                 |
| Total operating expenses                                  | <u>1,635,819</u>    | <u>1,608,003</u>      | <u>1,474,719</u>  | <u>2,798,499</u>  | <u>2,611,472</u>  |
| Income from operations                                    | 98,132              | 171,756               | 248,388           | 454,892           | 571,687           |
| Investment and other income                               | 17,913              | 3,686                 | 3,051             | 4,385             | 2,019             |
| Interest expense  | (110,482)           | (118,928)             | (92,945)          | (74,556)          | (63,092)          |
| Equity in earnings of unconsolidated affiliates           | 1,585               | 2,270                 | 7,714             | 952               | 3,185             |
| Total non-operating expenses                              | <u>(90,984)</u>     | <u>(112,972)</u>      | <u>(82,180)</u>   | <u>(69,219)</u>   | <u>(57,888)</u>   |
| Income from continuing operations before income taxes     | 7,148               | 58,784                | 166,208           | 385,673           | 513,799           |
| Income tax provision                                      | (16,728)            | (16,576)              | (44,694)          | (80,231)          | (189,203)         |
| (Loss) income from continuing operations                  | <u>(9,580)</u>      | <u>42,208</u>         | <u>121,514</u>    | <u>305,442</u>    | <u>324,596</u>    |
| (Loss) income from discontinued operations, net of tax    | <u>(786,908)</u>    | <u>(1,539,910)</u>    | <u>147,115</u>    | <u>14,930</u>     | <u>318</u>        |
| Net (loss) income   | <u>\$ (796,488)</u> | <u>\$ (1,497,702)</u> | <u>\$ 268,629</u> | <u>\$ 320,372</u> | <u>\$ 324,914</u> |
| <b>Per Common and Common Equivalent Share Data:</b>       |                     |                       |                   |                   |                   |
| (Loss) income from continuing operations:                 |                     |                       |                   |                   |                   |
| Basic   | <u>\$ (0.11)</u>    | <u>\$ 0.50</u>        | <u>\$ 1.33</u>    | <u>\$ 3.31</u>    | <u>—</u>          |
| Diluted   | <u>\$ (0.11)</u>    | <u>\$ 0.50</u>        | <u>\$ 1.33</u>    | <u>\$ 3.29</u>    | <u>—</u>          |
| (Loss) income from discontinued operations:               |                     |                       |                   |                   |                   |
| Basic   | <u>\$ (9.44)</u>    | <u>\$ (18.44)</u>     | <u>\$ 1.62</u>    | <u>\$ 0.16</u>    | <u>—</u>          |
| Diluted   | <u>\$ (9.44)</u>    | <u>\$ (18.33)</u>     | <u>\$ 1.60</u>    | <u>\$ 0.16</u>    | <u>—</u>          |

| (in thousands, except per share and other operating data) | 2020        | 2019       | 2018      | 2017      | 2016      |
|---|-------------|------------|-----------|-----------|-----------|
| <b>Net (loss) income:</b>                                 |             |            |           |           |           |
| Basic .....   | \$ (9.55)   | \$ (17.94) | \$ 2.95   | \$ 3.47   | \$ 3.52   |
| Diluted .....   | \$ (9.55)   | \$ (17.83) | \$ 2.93   | \$ 3.45   | \$ 3.49   |
| <b>Weighted average common shares:</b>                    |             |            |           |           |           |
| Basic .....   | 83,395      | 83,495     | 91,104    | 92,431    | 92,422    |
| Diluted .....   | 83,395      | 84,011     | 91,606    | 92,958    | 93,109    |
| <b>Other Operating Data:</b>                              |             |            |           |           |           |
| Number of physicians at end of year .....                 | 2,331       | 2,215      | 2,111     | 4,083     | 3,617     |
| Number of births .....                                    | 773,313     | 792,040    | 793,918   | 808,465   | 807,285   |
| NICU admissions .....                                     | 109,572     | 114,864    | 113,485   | 112,965   | 112,184   |
| NICU patient days .....                                   | 1,942,487   | 2,014,166  | 1,977,516 | 1,990,521 | 1,977,204 |
| <b>Consolidated Balance Sheet Data:</b>                   |             |            |           |           |           |
| Cash and cash equivalents .....                           | \$1,123,843 | \$ 107,870 | \$ 40,774 | \$ 46,357 | \$ 55,698 |
| Working capital .....                                     | 1,105,013   | 210,661    | 131,082   | 55,565    | 138,179   |
| Total assets .....  | 3,347,948   | 4,145,901  | 5,937,481 | 5,160,065 | 5,339,400 |
| Total liabilities .....                                   | 2,600,231   | 2,646,905  | 2,849,597 | 2,747,133 | 2,578,633 |
| Borrowings under credit facility .....                    | —           | —          | 739,500   | 1,110,500 | 963,500   |
| Senior notes outstanding .....                            | 1,750,000   | 1,750,000  | 1,250,000 | 750,000   | 750,000   |
| Total equity .....  | 747,717     | 1,498,996  | 3,087,884 | 2,412,932 | 2,760,767 |

## **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 our Consolidated Financial Statements and the related notes included in Item 8 of this Form 10-K. This discussion contains forward-looking statements. Please see the explanatory note concerning “Forward-Looking Statements” preceding Part I of this Form 10-K and Item 1A. Risk Factors for a discussion of the uncertainties, risks and assumptions associated with these forward-looking statements. The operating results for the periods presented were not significantly affected by inflation.

### **OVERVIEW**

Mednax is a leading provider of physician services including newborn, maternal-fetal, pediatric cardiology and other pediatric subspecialty care. Our national network is comprised of affiliated physicians who provide clinical care in 39 states and Puerto Rico. At December 31, 2020, our national network comprised over 2,300 affiliated physicians, including 1,320 physicians who provide neonatal clinical care, primarily within hospital-based neonatal intensive care units (“NICUs”), to babies born prematurely or with medical complications. We have 425 affiliated physicians who provide maternal-fetal and obstetrical medical care to expectant mothers experiencing complicated pregnancies primarily in areas where our affiliated neonatal physicians practice. Our network also includes other pediatric subspecialists, including 245 physicians providing pediatric intensive care, 100 physicians providing pediatric cardiology care, 175 physicians providing hospital-based pediatric care, 35 physicians providing pediatric surgical care and urology services, 10 physicians providing pediatric ear, nose and throat services, and five physicians providing pediatric ophthalmology services. Mednax divested its anesthesiology services medical group on May 6, 2020 and its radiology medical group on December 15, 2020.

### ***Coronavirus Pandemic (COVID-19)***

COVID-19 and related “stay at home” and social distancing measures implemented across the country have significantly impacted demand for medical services provided by our affiliated clinicians. Beginning in mid-March 2020, we experienced a significant decline in the number of elective surgeries at the facilities where our affiliated clinicians provided anesthesia services. Much of this decline was due to the closure of operating suites or facilities following federal advisories to cancel non-urgent procedures and the prohibition of such procedures by several states. Within our radiology service line, orders for radiological studies declined by a meaningful amount from historically normal levels, with much of this reduction focused in non-urgent studies. We divested our anesthesiology and radiology services medical groups in May 2020 and December 2020, respectively, where operating results were significantly impacted by COVID-19.

Our affiliated women’s and children’s office-based practices, which specialize in maternal-fetal medicine, pediatric cardiology, and numerous pediatric subspecialties, experienced a significant elevation of appointment cancellations compared to historical normal levels. We believe COVID-19, either directly or indirectly, has also had an impact on our NICU patient volumes, and there is no assurance that impacts from COVID-19 will not further adversely affect our NICU patient volumes or otherwise adversely affect our NICU and related neonatology business. Overall, our operating results were significantly impacted by the COVID-19 pandemic beginning in mid-March 2020, but volumes did begin to normalize in May 2020 and substantially recovered during the months of June 2020 through December 2020.

We implemented a number of actions to preserve financial flexibility and partially mitigate the significant impact of COVID-19. These steps included a suspension of most activities related to our transformational and restructuring programs, limiting these expenditures to those that provide essential support for our response to COVID-19. In addition, (i) we temporarily reduced executive and key management base salaries, including 50% reductions in salaries for our named executive officers through June 30, 2020; (ii) our Board of Directors agreed

to forego their annual cash retainer and cash meeting payments, also through June 30, 2020; (iii) we enacted a combination of salary reductions and furloughs for non-clinical employees; and (iv) we enacted significant operational and practice-specific expense reduction plans across our clinical operations.

We also implemented a variety of solutions across specialties to support clinicians and patients during COVID-19, including

- **Clinician Shortage Support:** Pediatric clinicians are lending their expertise to help fulfill the need for added adult care.
- **Strengthening of Supply Chain:** We helped to address the shortage of personal protective equipment (PPE) by partnering with vendors across industries to source high filtration respirators, surgical masks and other forms of PPE for protective use.
- **Expanded Virtual Care Offerings:** Utilizing VSee, an internationally recognized telehealth platform, we have deployed a national multi-specialty virtual clinic to expand our telehealth offerings and make virtual care available to our clinical workforce, enabling continued patient consults and clinician collaboration while minimizing COVID-19 exposure.
- **Early Virus Detection Using Cutting-Edge Imaging Diagnostic Tools:** Our former radiology services medical group led early detection efforts through chest imaging and diagnosed one of the first COVID-19 patients in the United States via chest computed tomography (“CT”), which showed findings consistent with a severe acute respiratory viral infection. In the absence of laboratory testing kits, chest CT can serve as a diagnostic tool.
- **Virtual Forum to Provide Clinician Support:** To support frontline clinicians while abiding by social distancing recommendations, we have created a virtual doctors’ lounge for clinicians across specialties to connect and socialize in the absence of typical in-person lounges, helping to boost morale and preserve a sense of normalcy.

We currently expect that COVID-19 will continue to materially impact our financial results, but due to the rapidly evolving environment and continued uncertainties surrounding the timeline of and impacts from COVID-19, we are unable to predict the ultimate impact on our business, financial condition, results of operations, cash flows and the trading price of our securities at this time.

### ***CARES Act***

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law. The CARES Act is a relief package intended to assist many aspects of the American economy, including providing up to \$100 billion in aid to the healthcare industry to reimburse healthcare providers for lost revenue and expenses attributable to COVID-19. The remaining \$70 billion in aid is intended to focus on providers in areas particularly impacted by COVID-19, rural providers, providers of services with lower shares of Medicare reimbursement or who predominantly serve the Medicaid population, and providers requesting reimbursement for the treatment of uninsured Americans. It is unknown what, if any, portion of the remaining healthcare industry funding on the CARES Act our affiliated physician practices will qualify for and receive. The Department of Health and Human Services (“HHS”) is administering this program, and our affiliated physician practices within continuing operations have received an aggregate of approximately \$22.0 million in relief payments during the year ended December 31, 2020. We have applications pending for certain affiliated physician practices for incremental relief beyond what has been received.

In addition, the CARES Act also provides for deferred payment of the employer portion of social security taxes through the end of 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. We utilized this deferral option throughout 2020.

### ***Reclassifications***

Reclassifications have been made to certain prior period financial statements and footnote disclosures to conform to the current period presentation, specifically to reflect the impact of our anesthesiology and radiology services medical groups being classified as discontinued operations. See – “Divestiture of the Anesthesiology Services Medical Group” and “Divestiture of the Radiology Services Medical Group” below.

### ***2020 Acquisition Activity***

During 2020, we completed the acquisition of one pediatric subspecialty practice. Based on our experience, we expect that we can improve the results of acquired physician practices through improved managed care contracting, improved collections, identification of growth initiatives and operating and cost savings based upon the significant infrastructure that we have developed.

### ***Divestiture of the Anesthesiology Services Medical Group***

On May 6, 2020, we entered into a securities purchase agreement with an affiliate of North American Partners in Anesthesia (“NAPA”) to divest our anesthesiology services medical group, and the transaction closed on May 6, 2020. Pursuant to the terms and conditions of the agreement, at the closing of the transaction, we received a cash payment of \$50.0 million, subject to certain customary adjustments, as well as a contingent economic interest in NAPA with a value ranging from \$0 to \$250 million based upon the multiple of invested capital returned to NAPA’s owners upon exit of the investment. The operating results of the anesthesiology services medical group were reported as discontinued operations in our consolidated statements of income for the year ended December 31, 2020 and prior period financial statements have been presented on a consistent basis.

### ***Divestiture of the Radiology Services Medical Group***

On September 9, 2020, we entered into a securities purchase agreement with Radiology Partners, Inc. to divest our radiology services medical group, and the transaction closed on December 15, 2020. The purchase consideration was comprised of \$885 million paid in cash at closing, subject to certain cash, minimum net working capital, indebtedness and other adjustments. The Company received approximately \$865 million at closing and used a portion of the proceeds of the transaction to redeem its \$750 million in outstanding principal amount of 5.25% senior notes due in 2023 (the “2023 Notes”) with a redemption date of January 7, 2021. The operating results of the radiology services medical group were reported as a component of discontinued operations, net of income taxes, in our consolidated statements of income for the year ended December 31, 2020 and prior period financial statements have been presented on a consistent basis.

### ***Transformation and Restructuring Initiatives***

Beginning in 2019, we developed a number of strategic initiatives across our organization, in both our shared services functions and our operational infrastructure, with a goal of generating improvements in our general and administrative expenses and our operational infrastructure. We had broadly classified these workstreams in four broad categories including practice operations, revenue cycle management, information technology and human resources. We have included the expenses, which in certain cases represent estimates, related to such activity on a separate line item in our consolidated statements. A significant amount of transformational and restructuring activities were related to our anesthesiology services medical group, which was divested in May 2020, and to a lesser extent our radiology services medical group, which was divested in December 2020. Beginning in April 2020, we reduced the scope of our transformation and restructuring related initiatives unless they were initiatives that provided essential support for our response to COVID-19 or were critical to our continuing operations. Various expenses related to our executive management and board restructuring in 2020 were recorded as transformation and restructuring related expenses during the third and fourth quarters of 2020.

### ***Common Stock Repurchase Programs***

In July 2013, our Board of Directors authorized the repurchase of shares of our common stock up to an amount sufficient to offset the dilutive impact from the issuance of shares under our equity compensation programs. The share repurchase program allows us to make open market purchases from time-to-time based on general economic and market conditions and trading restrictions. The repurchase program also allows for the repurchase of shares of our common stock to offset the dilutive impact from the issuance of shares, if any, related to our acquisition program. We did not repurchase any shares under this program during the twelve months ended December 31, 2020.

In August 2018, we announced that our Board of Directors had authorized the repurchase of up to \$500.0 million of shares of our common stock in addition to our existing share repurchase program, of which \$107.2 million remained available as of January 1, 2020. Under this share repurchase program, during the twelve months ended December 31, 2020, we repurchased 0.5 million shares of our common stock for \$8.5 million to satisfy minimum statutory withholding obligations in connection with the vesting of restricted stock. As of December 31, 2020, \$98.7 million remained available under this share repurchase program.

We may utilize various methods to effect any future share repurchases, including, among others, open market purchases and accelerated share repurchase programs.

### ***General Economic Conditions and Other Factors***

Our operations and performance depend significantly on economic conditions. Economic conditions in the United States (“U.S.”) have deteriorated, primarily as a result of COVID-19, and patient volumes have declined. During the year ended December 31, 2020, the percentage of our patient service revenue being reimbursed under government-sponsored healthcare programs (“GHC Programs”) increased as compared to the year ended December 31, 2019. This increase was more pronounced during the three months ended December 31, 2020. We could experience additional shifts toward GHC Programs if continued changes occur in economic behaviors or population demographics within geographic locations in which we provide services, including an increase in unemployment and underemployment as well as losses of commercial health insurance. Payments received from GHC Programs are substantially less for equivalent services than payments received from commercial insurance payors. In addition, due to the rising costs of managed care premiums and patient responsibility amounts, we may experience lower net revenue resulting from increased bad debt due to patients’ inability to pay for certain services. See Item 1A. Risk Factors, in this Form 10-K for additional discussion on the general economic conditions in the United States and recent developments in the healthcare industry that could affect our business.

### ***Healthcare Reform***

The Patient Protection and Affordable Care Act (the “ACA”) contains a number of provisions that have affected us and, absent amendment or repeal, may continue to affect us over the next several years. These provisions include the establishment of health insurance exchanges to facilitate the purchase of qualified health plans, expanded Medicaid eligibility, subsidized insurance premiums and additional requirements and incentives for businesses to provide healthcare benefits. Other provisions have expanded the scope and reach of the Federal Civil False Claims Act and other healthcare fraud and abuse laws. Moreover, we could be affected by potential changes to various aspects of the ACA, including changes to subsidies, healthcare insurance marketplaces and Medicaid expansion.

Despite the ACA going into effect over a decade ago, continuous legal and Congressional challenges to the law’s provisions and persisting uncertainty with respect to the scope and effect of certain provisions have made compliance costly. In 2017, Congress unsuccessfully sought to replace substantial parts of the ACA with different mechanisms for facilitating insurance coverage in the commercial and Medicaid markets. Congress may again attempt to enact substantial or target changes to the ACA in the future. Additionally, Centers for Medicare & Medicaid Services (“CMS”) has administratively revised a number of provisions and may seek to advance additional significant changes through regulation, guidance and enforcement in the future.

At the end of 2017, Congress repealed the part of the ACA that required most individuals to purchase and maintain health insurance or face a tax penalty, known as the individual mandate. In light of these changes, in December 2018, a federal district court in Texas declared that key portions of the ACA were inconsistent with the U.S. Constitution and that the entire ACA is invalid as a result. Several states appealed this decision, and in December 2019, a federal court of appeals upheld the district court's conclusion that part of the ACA is unconstitutional but remanded for further evaluation whether in light of this defect the entire ACA must be invalidated. Democratic attorneys general and the House appealed the Fifth Circuit's decision to the Supreme Court. On March 2, 2020, the Supreme Court agreed to hear the case, styled *California v. Texas*, during the 2020-21 term. Oral arguments took place on November 2, 2020 and while the Court has yet to issue its opinion, it is predicted that the Supreme Court will find that even if the individual mandate is struck down, that the rest of the ACA can continue. Nevertheless, we cannot say for certain what the Supreme Court's decision will be or what impact, if any, it may have on our business. Changes resulting from these proceedings could have a material impact on our business. In the meantime, it also is possible that as a result of these actions, enrollment in healthcare exchanges could decline.

In late 2020 and early 2021, the results of the federal and state elections have changed which persons and parties occupy the Office of the President of the United States and control both chambers of Congress and many states' governors and legislatures. The new Administration may propose sweeping changes to the U.S. healthcare system, including expanding government-funded health insurance options and replacing current healthcare financing mechanisms with systems that would be entirely administered by the federal government. Any legislative or administrative change to the current healthcare financing system could have a material adverse effect on our financial condition, results of operations, cash flows and the trading price of our securities.

In addition to the potential impacts to the ACA, there could be changes to other GHC Programs, such as a change to the structure of Medicaid. Congress and the Administration have sought to convert Medicaid into a block grant or to institute per capita spending caps, among other things. These changes, if implemented, could eliminate the guarantee that everyone who is eligible and applies for benefits would receive them and could potentially give states new authority to restrict eligibility, cut benefits and make it more difficult for people to enroll. Additionally, several states are considering and pursuing changes to their Medicaid programs, such as requiring recipients to engage in employment or education activities as a condition of eligibility for most adults, disenrolling recipients for failure to pay a premium, or adjusting premium amounts based on income. Many states have recently shifted a majority or all of their Medicaid program beneficiaries into Managed Medicaid Plans. Managed Medicaid Plans have some flexibility to set rates for providers, but many states require minimum provider rates in their contracts with such plans. In July of each year, CMS releases the annual Medicaid Managed Care Rate Development Guide which provides federal baseline rules for setting reimbursement rates in managed care plans. We could be affected by lower reimbursement rates in some of all of the Managed Medicaid Plans with which we participate. We could also be materially impacted if we are dropped from the provider network in one or more of the Managed Medicaid Plans with which we currently participate. In Florida, more than 75% of the Medicaid population participates in a Managed Medicaid Plan, with even higher participation rates for children.

We cannot predict with any assurance the ultimate effect of these laws and resulting changes to payments under GHC Programs, nor can we provide any assurance that they will not have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. Further, any fiscal tightening impacting GHC Programs or changes to the structure of any GHC Programs could have a material adverse effect on our financial condition, results of operations, cash flows and the trading price of our securities.

### ***The Medicare Access and CHIP Reauthorization Act***

The Medicare Access and CHIP Reauthorization Act ("MACRA") requires Medicare providers to choose to participate in one of two payment formulas, Merit-Based Incentive Payment System ("MIPS") or Alternative



Payment Models (“APMs”). Beginning in 2020, MIPS allowed eligible physicians to receive incentive payments based on the achievement of certain quality and cost metrics, among other measures, and be reduced for those who are underperforming against those same metrics and measures. As an alternative, physicians can choose to participate in an advanced APM, and physicians who are meaningful participants in APMs will receive bonus payments from Medicare pursuant to the law. MACRA also remains subject to review and potential modification by Congress, as well as shifting regulatory requirements established by CMS. We currently anticipate that our affiliated physicians who are eligible to participate in the MIPS program will continue to be eligible to receive MIPS bonus payments, although the amounts of such bonus payments are not expected to be material. We will continue to operationalize the provisions of MACRA and assess any further changes to the law or additional regulations enacted pursuant to the law.

We cannot predict the ultimate effect that these changes will have on us, nor can we provide any assurance that its provisions will not have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

### ***Medicaid Expansion***

The ACA also allows states to expand their Medicaid programs through federal payments that fund most of the cost of increasing the Medicaid eligibility income limit from a state’s historic eligibility levels to 133% of the federal poverty level. To date, 38 states and the District of Columbia have expanded Medicaid eligibility to cover this additional low-income patient population, and other states are considering expansion. All of the states in which we operate, however, already cover children in the first year of life and pregnant women if their household income is at or below 133% of the federal poverty level.

### ***“Surprise” Billing Legislation***

In late 2020, Congress enacted legislation intended to protect patients from “surprise” medical bills when services are furnished by providers who are not subject to contractual arrangements and payment limitations with the patient’s insurer. Effective January 1, 2022, patients will be protected from unexpected or “surprise” medical bills that could arise from out-of-network emergency care provided at an out-of-network facility or at in-network facilities by out-of-network providers and out-of-network nonemergency care provided at in-network facilities without the patient’s informed consent. Many states have passed similar legislation, but the federal government has been working to enact a ban on surprise billing for quite some time.

Under the “No Surprises Act,” patients are only required to pay the in-network cost-sharing amount, which will be determined through an established formula and will count toward the patient’s health plan deductible and out-of-pocket cost-sharing limits. Providers will generally not be permitted to balance bill patients beyond this cost-sharing amount. An out-of-network provider will only be permitted to bill a patient more than the in-network cost-sharing amount for care if the provider gives the patient notice of the provider’s network status and delivers to the patient or their health plan an estimate of charges within certain specified timeframes, and obtains the patient’s written consent prior to the delivery of care. Providers that violate these surprise billing prohibitions may be subject to state enforcement action or federal civil monetary penalties.

These measures could limit the amount we can charge and recover for services we furnish where we have not contracted with the patient’s insurer, and therefore could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. Moreover, these measures could affect our ability to contract with certain payors and under historically similar terms and may cause, and the prospect of these changes may have caused, payors to terminate their contracts with us and our affiliated practices, further affecting our business, financial condition, results of operations, cash flows and the trading price of our securities. Should any relationships with payors continue on an out-of-network basis, the No Surprises Act requires that rate disputes be resolved through binding arbitration, in which both the payor and provider submit a requested rate and the arbitrator selects one submission without hearing or modification of the selected request. These unpredictable results will bind both the provider and payor for a 90-day period.

### **Medicare Sequestration**

The Budget Control Act of 2011, as amended by the American Taxpayer Relief Act of 2012, required across-the-board cuts (“sequestrations”) to Medicare reimbursement rates. These annual reductions of 2%, on average, apply to mandatory and discretionary spending through 2025. Unless Congress acts in the future to modify these sequestrations, Medicare reimbursements will be reduced by 2%, on average, annually. In connection with the CARES Act, the Medicare sequestrations were suspended beginning on May 1, 2020 through December 31, 2020. Aside from the suspension, the reduction in Medicare reimbursement rates is not expected to have a material adverse effect on our business, financial condition, results of operations, cash flows or the trading price of our securities as the services we provide that are reimbursed under Medicare programs are not material.

### **Geographic Coverage**

During 2020, 2019, and 2018, approximately 62%, 52% and 59%, respectively, of our net revenue from continuing operations was generated by operations in our five largest states. During 2020, 2019 and 2018, our five largest states consisted of Texas, Florida, Georgia, California, and Washington. During 2020, 2019 and 2018, our operations in Texas accounted for approximately 29%, 28% and 28%, respectively, of our net revenue.

### **Payor Mix**

We bill payors for professional services provided by our affiliated physicians to our patients based upon rates for specific services provided. Our billed charges are substantially the same for all parties in a particular geographic area regardless of the party responsible for paying the bill for our services. We determine our net revenue based upon the difference between our gross fees for services and our estimated ultimate collections from payors. Net revenue differs from gross fees due to (i) managed care payments at contracted rates, (ii) GHC Program reimbursements at government-established 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 composed of contracted managed care, government, principally Medicare and Medicaid, other third-parties and private-pay patients. We benefit from the fact that most of the medical services provided in the NICU are classified as emergency services, a category typically classified as a covered service by managed care payors.

The following is a summary of our payor mix, expressed as a percentage of net revenue from continuing operations, exclusive of administrative fees and miscellaneous revenue, for the periods indicated:

|                                   | <u>Years Ended December 31,</u> |             |             |
|-----------------------------------|---------------------------------|-------------|-------------|
|                                   | <u>2020</u>                     | <u>2019</u> | <u>2018</u> |
| Contracted managed care . . . . . | 68%                             | 68%         | 67%         |
| Government . . . . .              | 27%                             | 26%         | 26%         |
| Other third-parties . . . . .     | 4%                              | 5%          | 6%          |
| Private-pay patients . . . . .    | 1%                              | 1%          | 1%          |
|                                   | <u>100%</u>                     | <u>100%</u> | <u>100%</u> |

The payor mix shown in the table above is not necessarily representative of the amount of services provided to patients covered under these plans. For example, the gross amount billed to patients covered under GHC Programs for the years ended December 31, 2020, 2019 and 2018 represented approximately 57% of our total gross patient service revenue. These percentages of gross revenue and the percentages of net revenue provided in the table above include the payor mix impact of acquisitions completed through December 31, 2020.

## **Quarterly Results**

We have historically experienced and expect to continue to experience quarterly fluctuations in net revenue and net income. These fluctuations are primarily due to the following factors:

- There are fewer calendar days in the first and second quarters of the year, as compared to the third and fourth quarters of the year. Because we provide services in NICUs on a 24-hours-a-day basis, 365 days a year, any reduction in service days will have a corresponding reduction in net revenue.
- The majority of physician services provided by our office-based practices consist of office visits and scheduled procedures that occur during business hours. As a result, volumes at those practices fluctuate based on the number of business days in each calendar quarter.
- A significant number of our employees and our associated professional contractors, primarily physicians, exceed the level of taxable wages for social security during the first and second quarters of the year. As a result, we incur a significantly higher payroll tax burden and our net income is lower during those quarters.

We have significant fixed operating costs, including physician compensation, and, as a result, are highly dependent on patient volume and capacity utilization of our affiliated professional contractors to sustain profitability. Additionally, quarterly results may be affected by the timing of acquisitions and fluctuations 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. Our unaudited quarterly results are presented in further detail in Note 20 to our Consolidated Financial Statements in this Form 10-K.

## **Application of Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires estimates and assumptions that affect the reporting of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities. Note 3 to our Consolidated Financial Statements provides a summary of our significant accounting policies, which are all in accordance with GAAP. Certain of our accounting policies are critical to understanding our Consolidated Financial Statements because their application requires management to make assumptions about future results and depends to a large extent on management’s judgment, because past results have fluctuated and are expected to continue to do so in the future.

We believe that the application of the accounting policies described in the following paragraphs is highly dependent on critical estimates and assumptions that are inherently uncertain and highly susceptible to change. For all of 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 Recognition***

We recognize patient service revenue at the time services are provided by our affiliated physicians. Our performance obligations relate to the delivery of services to patients and are satisfied at the time of service. Accordingly, there are no performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period with respect to patient service revenue. Almost all of our patient service revenue is reimbursed by GHC Programs and third-party insurance payors. Payments for services rendered to our patients are generally less than billed charges. We monitor our revenue and receivables from these sources and record an estimated contractual allowance to properly account for the anticipated differences between billed and reimbursed amounts.

Accordingly, 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 upon historical experience and other factors, including days sales outstanding (“DSO”) for

accounts receivable, evaluation of expected adjustments and delinquency rates, past adjustments and collection experience in relation to amounts billed, an aging of accounts receivable, current contract and reimbursement terms, changes in payor mix and other relevant information. Collection of patient service revenue we expect to receive is normally a function of providing complete and correct billing information to the GHC Programs and third-party insurance payors within the various filing deadlines and typically occurs within 30 to 60 days of billing. Contractual adjustments result from the difference between the physician rates for services performed and the reimbursements by GHC Programs and third-party insurance payors for such services. The evaluation of these historical and other factors involves complex, subjective judgments. On a routine basis, we compare our cash collections to recorded net patient service revenue and evaluate our historical allowance for contractual adjustments and uncollectibles based upon the ultimate resolution of the accounts receivable balance. These procedures are completed regularly in order to monitor our process of establishing appropriate reserves for contractual adjustments. We have not recorded any material adjustments to prior period contractual adjustments and uncollectibles in the years ended December 31, 2020, 2019, or 2018.

Some of our agreements require hospitals to pay us administrative fees. Some agreements provide for fees if the hospital does not generate sufficient patient volume in order to guarantee that we receive a specified minimum revenue level. We also receive fees from hospitals for administrative services performed by our affiliated physicians providing medical director or other services at the hospital.

DSO is one of the key factors that we use to evaluate the condition of our accounts receivable and the related allowances for contractual adjustments and uncollectibles. DSO reflects the timeliness of cash collections on billed revenue and the level of reserves on outstanding accounts receivable. Any significant change in our DSO results in additional analyses of outstanding accounts receivable and the associated reserves. We calculate our DSO using a three-month rolling average of net revenue. Our net revenue, net income and operating cash flows may be materially and adversely affected if actual adjustments and uncollectibles exceed management's estimated provisions as a result of changes in these factors. As of December 31, 2020, our DSO was 52.3 days. We had approximately \$1.03 billion in gross accounts receivable for continuing operations outstanding at December 31, 2020, and considering this outstanding balance, based on our historical experience, a reasonably likely change of 0.5% to 1.50% in our estimated collection rate would result in an impact to net revenue of \$4.9 million to \$14.7 million. The impact of this change does not include adjustments that may be required as a result of audits, inquiries and investigations from government authorities and agencies and other third-party payors that may occur in the ordinary course of business. See Note 19 to our Consolidated Financial Statements in this Form 10-K.

### ***Professional Liability Coverage***

We maintain professional liability insurance policies with third-party insurers generally on a claims-made basis, subject to self-insured retention, exclusions and other restrictions. Our self-insured retention under our professional liability insurance program is maintained primarily through a wholly owned captive insurance subsidiary. We record liabilities for self-insured amounts and claims incurred but not reported based on an actuarial valuation using historical loss information, claim emergence patterns and various actuarial assumptions. Liabilities for claims incurred but not reported are not discounted. The average lag period from the date a claim is reported to the date it reaches final settlement is approximately four years, although the facts and circumstances of individual claims could result in lag periods that vary from this average. Our actuarial assumptions incorporate multiple complex methodologies to determine the best liability estimate for claims incurred but not reported and the future development of known claims, including methodologies that focus on industry trends, paid loss development, reported loss development and industry-based expected pure premiums. The most significant assumptions used in the estimation process include the use of loss development factors to determine the future emergence of claim liabilities, the use of frequency and trend factors to estimate the impact of economic, judicial and social changes affecting claim costs, and assumptions regarding legal and other costs associated with the ultimate settlement of claims. The key assumptions used in our actuarial valuations are subject to constant adjustments as a result of changes in our actual loss history and the movement of projected emergence patterns as

claims develop. We evaluate the need for professional liability insurance reserves in excess of amounts estimated in our actuarial valuations on a routine basis, and as of December 31, 2020, based on our historical experience for continuing operations, a reasonably likely change of 2% to 6% in our estimates would result in an increase or decrease to net income of \$1.2 million to \$4.3 million. However, because many factors can affect historical and future loss patterns, the determination of an appropriate professional liability reserve involves complex, subjective judgment, and actual results may vary significantly from estimates.

### ***Goodwill***

We record acquired assets, including identifiable intangible assets and liabilities at their respective fair values, recording to goodwill the excess of purchase price over the fair value of the net assets acquired. We test goodwill for impairment at a reporting unit level on an annual basis, and more frequently if impairment indicators exist. We may elect to perform a qualitative assessment, focused on various factors including macroeconomic conditions, market trends, specific reporting unit financial performance and other entity specific events, to determine if it is more likely than not that the fair value of our single reporting unit exceeds its carrying value, including goodwill. We may also bypass the qualitative assessment and perform a quantitative test. The quantitative test focuses on income and market-based valuation approaches to determine the fair value of reporting units. These approaches focus on various significant assumptions, including the weighted average cost of capital discount factor, revenue growth rates and market multiples for revenue and earnings before interest, taxes and depreciation and amortization (“EBITDA”). We consider the economic outlook for the healthcare services industry and various other factors during both the qualitative and quantitative testing process, including hospital and physician contract changes, local market developments, changes in third-party payor 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 contractors because we or one of our subsidiaries have entered into management agreements with our affiliated professional contractors meeting the “controlling financial interest” criteria set forth in accounting guidance for consolidations. Our management agreements are further described in Note 3 to our Consolidated Financial Statements in this Form 10-K. The policies described in Note 3 often require difficult judgments on complex matters that are often subject to multiple sources of authoritative guidance and are frequently reexamined by accounting standards setters and regulators. See “New Accounting Pronouncements” below for matters that may affect our accounting policies in the future.

### ***Non-GAAP Measures***

In our analysis of our results of operations, we use certain non-GAAP financial measures. We have incurred certain expenses related to transformational and restructuring related expenses that are expected to be project-based and periodic in nature. Accordingly, beginning with the first quarter of 2019, we began reporting Adjusted earnings before interest, taxes and depreciation and amortization from continuing operations, defined as income (loss) from continuing operations before interest, taxes, depreciation and amortization, and transformational and restructuring related expenses. Adjusted earnings per share (“Adjusted EPS”) from continuing operations has also been further adjusted for these items and beginning with the first quarter of 2019 consists of diluted income (loss) from continuing operations per common and common equivalent share adjusted for amortization expense, stock-based compensation expense and transformational and restructuring related expenses. Adjusted EPS from continuing operations has been further adjusted to reflect the impacts from discrete tax events.

We believe these measures, in addition to income (loss) from continuing operations, net income (loss) and diluted net income (loss) from continuing operations per common and common equivalent share, provide

investors with useful supplemental information to compare and understand our underlying business trends and performance across reporting periods on a consistent basis. These measures should be considered a supplement to, and not a substitute for, financial performance measures determined in accordance with GAAP. In addition, since these non-GAAP measures are not determined in accordance with GAAP, they are susceptible to varying calculations and may not be comparable to other similarly titled measures of other companies

For a reconciliation of each of Adjusted EBITDA from continuing operations and Adjusted EPS from continuing operations to the most directly comparable GAAP measures for the years ended December 31, 2020, 2019 and 2018, refer to the tables below (in thousands, except per share data).

|   | Years Ended December 31, |                  |                  |
|---|--------------------------|------------------|------------------|
|   | 2020                     | 2019             | 2018             |
| (Loss) income from continuing operations . . . . .            | \$ (9,580)               | \$ 42,208        | \$121,514        |
| Interest expense . . . . .                                    | 110,482                  | 118,928          | 92,945           |
| Income tax provision . . . . .                                | 16,728                   | 16,576           | 44,694           |
| Depreciation and amortization . . . . .                       | 28,441                   | 25,931           | 24,355           |
| Transformational and restructuring related expenses . . . . . | 73,801                   | 60,890           | —                |
| Adjusted EBITDA from continuing operations . . . . .          | <u>\$219,872</u>         | <u>\$264,533</u> | <u>\$283,508</u> |

|   | Years Ended December 31, |                |                  |                |                  |               |
|---|--------------------------|----------------|------------------|----------------|------------------|---------------|
|   | 2020                     |                | 2019             |                | 2018             |               |
| Weighted average diluted shares outstanding . . . . .   | 83,395                   |                | 84,011           |                | 91,606           |               |
| (Loss) income from continuing operations and diluted (loss) income from continuing operations per share . . . . . | \$ (9,580)               | \$(0.11)       | \$ 42,208        | \$ 0.50        | \$121,514        | \$1.33        |
| Adjustments <sup>(1)</sup> :  |                          |                |                  |                |                  |               |
| Amortization (net of tax of \$2,294, \$1,814 and \$1,701) . . . . .   | 6,882                    | 0.08           | 5,442            | 0.06           | 5,102            | 0.05          |
| Stock-based compensation (net of tax of \$5,281, \$8,353 and \$9,099) . . . . .                                   | 15,843                   | 0.19           | 25,057           | 0.30           | 27,297           | 0.30          |
| Transformational and restructuring related expenses (net of tax of \$18,450 and \$15,222) . . . . .               | 55,351                   | 0.66           | 45,668           | 0.55           | —                | —             |
| Net impact from discrete tax events . . . . .   | 10,541                   | 0.13           | (455)            | (0.01)         | 212              | —             |
| Adjusted income and diluted EPS from continuing operations . . . . .  | <u>\$79,037</u>          | <u>\$ 0.95</u> | <u>\$117,920</u> | <u>\$ 1.40</u> | <u>\$154,125</u> | <u>\$1.68</u> |

(1) The statutory tax rate of 25% was used to calculate the tax effects of the adjustments for the years ended December 31, 2020, 2019 and 2018, respectively.

## RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain information related to our continuing operations expressed as a percentage of our net revenue:

|   | <u>Years Ended December 31,</u> |              |              |
|---|---------------------------------|--------------|--------------|
|   | <u>2020</u>                     | <u>2019</u>  | <u>2018</u>  |
| Net revenue .....   | 100.0%                          | 100.0%       | 100.0%       |
| Operating expenses:   |                                 |              |              |
| Practice salaries and benefits .....                        | 68.9                            | 66.3         | 65.3         |
| Practice supplies and other operating expenses .....        | 5.2                             | 5.4          | 5.4          |
| General and administrative expenses .....                   | 14.4                            | 13.7         | 13.5         |
| Depreciation and amortization .....                         | 1.6                             | 1.5          | 1.4          |
| Transformational and restructuring related expenses .....   | 4.2                             | 3.4          | —            |
| Total operating expenses .....                              | <u>94.3</u>                     | <u>90.3</u>  | <u>85.6</u>  |
| Income from operations .....                                | 5.7                             | 9.7          | 14.4         |
| Non-operating expense, net .....                            | <u>(5.3)</u>                    | <u>(6.4)</u> | <u>(4.7)</u> |
| Income from continuing operations before income taxes ..... | 0.4                             | 3.3          | 9.7          |
| Income tax provision .....                                  | <u>(1.0)</u>                    | <u>(0.9)</u> | <u>(2.6)</u> |
| (Loss) income from continuing operations .....              | (0.6)%                          | 2.4%         | 7.1%         |

### Year Ended December 31, 2020 as Compared to Year Ended December 31, 2019

Our net revenue attributable to continuing operations was \$1.73 billion for the year ended December 31, 2020, as compared to \$1.78 billion for 2019. The decrease in revenue of \$45.8 million, or 2.6%, was primarily attributable to the unfavorable impacts from COVID-19 on same-unit revenue, driven by declines in volume, partially offset by an increase in revenue from net acquisitions. Same units are those units at which we provided services for the entire current period and the entire comparable period. Same-unit net revenue declined by \$66.6 million, or 3.8%. The decline in same-unit net revenue was comprised of a decrease of \$89.0 million, or 5.1%, related to patient service volumes, partially offset by a net increase of \$22.4 million, or 1.3%, from net reimbursement-related factors. The decrease in revenue from patient service volumes was primarily related to a decline across all our services, primarily as a result of COVID-19. The net increase in revenue related to net reimbursement-related factors was primarily due to approximately \$22.0 million in CARES Act relief, an increase in administrative fees received from our hospital partners and modest improvements in managed care contracting.

Practice salaries and benefits attributable to continuing operations increased \$13.2 million, or 1.1%, to \$1.19 billion for the year ended December 31, 2020, as compared to \$1.18 billion for 2019. The increase was comprised of \$13.2 million from salaries and a net nominal change in benefits and incentive compensation, primarily reflecting increases in malpractice expense almost entirely offset by decreases in incentive compensation expense. We anticipate that we will experience a higher rate of growth in clinician compensation expense at our existing units over historic averages, which could adversely affect our business, financial condition, results of operations, cash flows and the trading price of our securities.

Practice supplies and other operating expenses attributable to continuing operations decreased \$5.2 million, or 5.4%, to \$90.7 million for the year ended December 31, 2020, as compared to \$95.9 million for 2019. The decrease was primarily attributable to decreases in other practice operating expenses as compared to the prior year, primarily related to decreased activity across many expense categories such as travel, office expenses and professional services resulting from impacts of COVID-19, partially offset by increases in supplies and other operating expenses related to acquisitions.

General and administrative expenses attributable to continuing operations primarily include all billing and collection functions and all other salaries, benefits, supplies and operating expenses not specifically identifiable to the day-to-day operations of our physician practices and services. General and administrative expenses were \$248.9 million for the year ended December 31, 2020, as compared to \$244.5 million for 2019. The increase of \$4.4 million is primarily related to legal and professional services fees, partially offset by decreases in compensation from net staffing reductions primarily resulting from cost mitigation for COVID-19. General and administrative expenses as a percentage of net revenue was 14.4% for the year ended December 31, 2020, as compared to 13.7% for 2019. Certain general and administrative expenses related to corporate overhead represent various support services provided across the company, including approximately \$18 million in costs related to support for the anesthesiology services medical group divested in May 2020 through a transition services agreement and to a much lesser extent the recently divested radiology services medical group. Because a portion of such expenses were previously allocated to but not specifically identifiable to the anesthesiology services medical group, they are required to be presented as continuing operations. Therefore, general and administrative expenses do not reflect potential general and administrative cost savings that may be achieved in future periods.

Transformational and restructuring related expenses attributable to continuing operations were \$73.8 million for the year ended December 31, 2020, as compared to \$60.9 million for 2019. Approximately \$33.6 million of the expenses incurred during the year ended December 31, 2020 were for external consulting costs for various process improvement and restructuring initiatives and approximately \$31.9 million were for compensation-related expenses resulting from the restructuring changes in executive management and the board of directors, with the remainder for position eliminations and contract termination and other fees. Beginning in April 2020, we reduced the scope of our transformation and restructuring related initiatives unless they were initiatives critical to our business operations or those that provide essential support for our response to COVID-19. Various activities related to executive management and board of directors restructuring were recorded as transformational and restructuring related expenses during the year ended December 31, 2020.

Depreciation and amortization expense attributable to continuing operations was \$28.4 million for the year ended December 31, 2020, as compared to \$25.9 million for 2019. The increase is primarily related to the amortization of intangible assets related to acquisitions.

Income from operations attributable to continuing operations decreased \$73.7 million, or 42.9%, to \$98.1 million for the year ended December 31, 2020, as compared to \$171.8 million for 2019. Our operating margin was 5.7% for the year ended December 31, 2020, as compared to 9.7% for the same period in 2019. The decrease in our operating margin was primarily due to a decrease in revenue related to COVID-19 and increases in transformation and restructuring related expenses and practice salaries and benefits. Excluding transformation and restructuring expenses, our income from operations attributable to continuing operations for the years ended December 31, 2020 and 2019 was \$171.9 million and \$232.7 million, respectively, and our operating margin was 9.9% and 13.1%, respectively. We believe excluding the impacts from the transformational and restructuring related activity provides a more comparable view of our operating income and operating margin from continuing operations; however, this comparison is affected by the unfavorable impacts from COVID-19 during 2020.

Total non-operating expenses attributable to continuing operations were \$91.0 million for the year ended December 31, 2020, as compared to \$113.0 million for 2019. The decrease in non-operating expenses was primarily related to an increase in other income related to the transition services being provided to the buyers of our divested medical groups and a decrease in interest expense, primarily due to lower average borrowings under our Credit Agreement, partially offset by a decrease in equity earnings resulting from the impacts to the underlying joint venture from COVID-19 and the settlement of a litigation matter.

Our effective income tax rate attributable to continuing operations of 234.0% is not meaningful as calculated for the year ended December 31, 2020 due to the decline in pre-tax income, primarily due to the impacts from our transformational and restructuring related expenses and COVID-19. Our effective income tax rate attributable to continuing operations was 28.2% for the year ended December 31, 2019.



Loss from continuing operations was \$9.6 million for the year ended December 31, 2020, as compared to income from continuing operations of \$42.2 million for 2019. Adjusted EBITDA from continuing operations was \$219.9 million for the year ended December 31, 2020, as compared to \$264.5 million for 2019.

Diluted loss from continuing operations per common and common equivalent share was \$0.11 on weighted average shares outstanding of 83.4 million for the year ended December 31, 2020, as compared to diluted income per common and common equivalent share of \$0.50 on weighted average shares outstanding of 84.0 million for 2019. Adjusted EPS from continuing operations was \$0.95 for the year ended December 31, 2020, as compared to \$1.40 for 2019.

Loss from discontinued operations, net of tax, was \$786.9 million for the year ended December 31, 2020, as compared to loss from discontinued operations of \$1.54 billion for 2019. Diluted loss from discontinued operations per common and common equivalent share was \$9.44 for the year ended December 31, 2020, as compared to a diluted loss from discontinued operations per common and common equivalent share of \$18.33 for 2019.

Net loss was \$796.5 million for the year ended December 31, 2020, as compared to a net loss of \$1.50 billion for 2019. Diluted net loss per common and common equivalent share was \$9.55 for the year ended December 31, 2020, as compared to \$17.83 for 2019.

#### **Year Ended December 31, 2019 as Compared to Year Ended December 31, 2018**

Our net revenue attributable to continuing operations was \$1.78 billion for the year ended December 31, 2019, as compared to \$1.72 billion for 2018. The increase in revenue of \$56.7 million, or 3.3%, was primarily attributable to an increase in same-unit net revenue as well as an increase in revenue from net acquisitions. Same units are those units at which we provided services for the entire current period and the entire comparable period. Same-unit net revenue grew by \$34.7 million, or 2.1%, in the year ended December 31, 2019, as compared to the same period in 2018. The increase in same-unit net revenue was comprised of a net increase of \$26.5 million, or 1.6%, related to patient service volumes and a net increase of \$8.2 million, or 0.5%, from net reimbursement-related factors. The increase in revenue from patient service volumes was primarily related to growth across almost all of our services, driven by growth in neonatology and other pediatric services, including newborn nursery. The net increase in revenue related to net reimbursement-related factors was primarily due to modest increases from managed care contracting and an increase in administrative fees received from our hospital partners.

Practice salaries and benefits attributable to continuing operations increased \$55.1 million, or 4.9%, to \$1.18 billion for the year ended December 31, 2019, as compared to \$1.13 billion for 2018. This increase was primarily attributable to increased costs associated with physicians and other staff to support organic growth initiatives and growth at our existing units, as well as increases in malpractice expense due to unfavorable trends in claims experience. We anticipate that we will continue to experience a higher rate of growth in clinician compensation expense and malpractice expense at our existing units over historic averages, which could adversely affect our business, financial condition, results of operations, cash flows and the trading price of our securities.

Practice supplies and other operating expenses attributable to continuing operations increased \$3.4 million, or 3.7%, to \$95.9 million for the year ended December 31, 2019, as compared to \$92.5 million for 2018. The increase was primarily attributable to increases in other practice operating expenses as compared to the prior year.

General and administrative expenses attributable to continuing operations primarily include all billing and collection functions and all other salaries, benefits, supplies and operating expenses not specifically related to the day-to-day operations of our physician practices and services. General and administrative expenses were

\$244.5 million for the year ended December 31, 2019, as compared to \$232.2 million for 2018. General and administrative expenses as a percentage of net revenue was 13.7% for the year ended December 31, 2019, as compared to 13.5% for the same period in 2018.

Transformational and restructuring related expenses attributable to continuing operations were \$60.9 million for the year ended December 31, 2019 of which \$40.3 million was related to external consulting costs for various process improvement and restructuring initiatives, \$17.6 million was related to severance benefits for eliminated positions and \$3.0 million was associated with contract terminations and other such activities.

Depreciation and amortization expense attributable to continuing operations was \$25.9 million for the year ended December 31, 2019, as compared to \$24.4 million for 2019. The increase is primarily related to the amortization of intangible assets related to acquisitions.

Income from operations attributable to continuing operations was \$171.8 million for the year ended December 31, 2019, as compared to income from operations attributable to continuing operations of \$248.4 million for 2018. Our operating margin was 9.7% for the year ended December 31, 2019, as compared to 14.4% for 2018. The decrease in our operating margin was primarily due to higher operating expense growth, including transformation and restructuring expenses, combined with lower revenue growth. Excluding the transformation and restructuring expenses, our income from operations attributable to continuing operations was \$232.7 million, and our operating margin was 13.1%. We believe excluding the impacts from the transformational and restructuring activity provides a more comparable view of our operating income and operating margin from continuing operations.

Net non-operating expenses attributable to continuing operations were \$113.0 million for the year ended December 31, 2019, as compared to \$82.2 million for 2018. The net increase of \$30.8 million, or 37.5%, was primarily related to an increase in interest expense related to a higher average interest rate on our outstanding debt, driven by the incremental senior notes issuances in late 2018 and early 2019.

Our effective income tax rate attributable to continuing operations was 28.2% and 26.9% for the years ended December 31, 2019 and 2018, respectively.

Income from continuing operations was \$42.2 million for the year ended December 31, 2019, as compared to income from continuing operations of \$121.5 million for 2018. Adjusted EBITDA from continuing operations was \$264.5 million for the year ended December 31, 2019, as compared to \$283.5 million for the same period in 2018.

Diluted income from continuing operations per common and common equivalent share was \$0.50 on weighted average shares outstanding of 84.0 million for the year ended December 31, 2019, as compared to diluted income from continuing operations of \$1.33 on weighted average shares outstanding of 91.6 million for 2018. Adjusted EPS from continuing operations was \$1.40 for the year ended December 31, 2019, as compared to \$1.68 for 2018. The decrease of 7.6 million in our weighted average shares outstanding is primarily due to the impact of shares repurchased under a 2018 accelerated share repurchase program and through open market repurchase activity in 2018 and 2019.

Loss from discontinued operations, net of tax, was \$1.54 billion for the year ended December 31, 2019, reflecting the preliminary loss on the divestiture of MedData and a non-cash goodwill impairment charge recorded during the year ended December 31, 2019 primarily related to the anesthesiology medical group, as compared to income from discontinued operations, net of tax, of \$147.1 million for 2018. Diluted loss from discontinued operations per common and common equivalent share was \$18.33 for the year ended December 31, 2019, as compared to diluted income from discontinued operations per common and common equivalent share of \$1.60 for 2018.

Net loss was \$1.50 billion for the year ended December 31, 2019, as compared to net income of \$268.6 million for 2018. Diluted net loss per common and common equivalent share was \$17.83 for the year ended December 31, 2019, as compared to diluted net income per common and common equivalent share of \$2.93 for 2018.

## LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2020, we had \$1.12 billion of cash and cash equivalents attributable to continuing operations as compared to \$107.9 million at December 31, 2019. Additionally, we had working capital attributable to continuing operations of \$1.11 billion at December 31, 2020, an increase of \$894.4 million from our working capital from continuing operations of \$210.7 million at December 31, 2019. The increase in cash and working capital relates primarily to the net proceeds of \$865.0 million received in December 2020 from the divestiture of the radiology services medical group, of which approximately \$764.0 million was used to redeem our 2023 Notes in January 2021.

### Cash Flows

Cash provided by (used in) operating, investing and financing activities from continuing operations is summarized as follows (in thousands):

|                                | Years Ended December 31, |           |           |
|--------------------------------|--------------------------|-----------|-----------|
|                                | 2020                     | 2019      | 2018      |
| Operating activities . . . . . | \$153,888                | \$ 74,091 | \$ 59,021 |
| Investing activities . . . . . | (58,346)                 | (50,240)  | (84,664)  |
| Financing activities . . . . . | (2,910)                  | (384,110) | (169,255) |

### Operating Activities

We generated cash flow from operating activities for continuing operations of \$153.9 million, \$74.1 million and \$59.0 million for the years ended December 31, 2020, 2019 and 2018, respectively. The net increase in cash flow provided of \$79.8 million for the year ended December 31, 2020, as compared to the year ended December 31, 2019, was primarily due to an increase in cash flow from deferred income taxes and income taxes payable as well as accounts receivable, partially offset by a decrease in cash from lower earnings and changes in prepaid expenses and other assets.

During the year ended December 31, 2020, cash flow from accounts receivable for continuing operations was \$37.9 million, as compared to \$6.5 million for the same period in 2019. The increase in cash flow from accounts receivable for the year ended December 31, 2020 was primarily due to decreases in ending accounts receivable balances at existing units due to timing of cash collections.

DSO is one of the key factors that we use to evaluate the condition of our accounts receivable and the related allowances for contractual adjustments and uncollectibles. DSO reflects the timeliness of cash collections on billed revenue and the level of reserves on outstanding accounts receivable. Our DSO for continuing operations was 52.3 days at December 31, 2020 as compared to 51.0 days at December 31, 2019.

Our cash flow from operating activities is significantly affected by the payment of physician incentive compensation. A large majority of our affiliated physicians participate in our performance-based incentive compensation program and almost all of the payments due under the program are made annually in the first quarter. As a result, we typically experience negative cash flow from operations in the first quarter of each year and fund our operations during this period with cash on hand or funds borrowed under our Credit Agreement. In addition, during the first quarter of each year, we use cash to make any discretionary matching contributions for participants in our qualified contributory savings plans.

We generated cash flow from operating activities for continuing operations of \$74.1 million and \$59.0 million for the years ended December 31, 2019 and 2018, respectively. The net increase in cash flow was primarily related to increases in cash flow from accounts receivable and a combination of favorable impacts from lower tax payments in 2019 and a decrease in cash flow in 2018 for tax payments made in the first quarter of 2018 for 2017 taxes that were deferred by the Internal Revenue Service for companies impacted by the 2017 hurricanes. Cash flow from operating activities in 2019 was also impacted by cash payments made for transformation and restructuring related expenses. Cash flow for the year ended December 31, 2018 was impacted by a decrease in cash flow from income taxes payable resulting from tax payments made in the first quarter of 2018 for 2017 taxes that were deferred by the Internal Revenue Service for companies impacted by the 2017 hurricanes, as well as a net decrease in cash flow related to accounts receivable, partially offset by an increase in cash flow related to changes in deferred taxes.

### ***Investing Activities***

During the year ended December 31, 2020, our net cash used in investing activities for continuing operations of \$58.3 million consisted primarily of capital expenditures of \$28.8 million and net purchases of investments of \$28.4 million.

### ***Financing Activities***

During the year ended December 31, 2020, our net cash used in financing activities for continuing operations of \$2.9 million primarily consisted of the repurchase of \$8.5 million of our common stock and payments of \$1.2 million for capital leases, partially offset by proceeds from the issuance of common stock of \$7.0 million.

### **Liquidity**

On March 25, 2020, we amended and restated our Credit Agreement to, among other things, (i) establish a deemed Consolidated EBITDA of \$139.2 million for the second and third quarters of 2020, reflecting average Adjusted EBITDA from continuing operations for the prior eight quarters (calculated for purposes of the Credit Agreement), which will be used in the calculation of rolling four consecutive quarter Consolidated EBITDA under the Credit Agreement, (ii) temporarily increase the maximum consolidated net leverage ratio required to be maintained by us from 4.50:1:00 to 5.00:1:00 for the second and third quarters of 2020 and 4.75:1:00 for the fourth quarter of 2020, before returning to 4.50:1:00 for the first quarter of 2021 and beyond, (iii) require that we maintain minimum availability under the Credit Agreement of \$300.0 million through the third quarter of 2021, (iv) provide for a weekly repayment of borrowings under the Credit Agreement through the second quarter of 2021 using unrestricted cash on hand in excess of \$300.0 million, plus a reserve for certain payables, and (v) temporarily restrict our ability to make restricted payments under the Credit Agreement for the remainder of 2020, subject to certain exceptions.

The Credit Agreement provides for a \$1.2 billion unsecured revolving credit facility, subject to the limitations discussed above, and includes a \$37.5 million sub-facility for the issuance of letters of credit. The Credit Agreement matures on March 28, 2024 and is guaranteed by substantially all of our subsidiaries and affiliated professional associations and corporations. At our option, borrowings under the Credit Agreement will bear interest at (i) the alternate base rate (defined as the higher of (a) the prime rate, (b) the Federal Funds Rate plus 1/2 of 1.00% and (c) LIBOR for an interest period of one month plus 1.00%) plus an applicable margin rate ranging from 0.125% to 0.750% based on our consolidated leverage ratio or (ii) the LIBOR rate plus an applicable margin rate ranging from 1.125% to 1.750% based on our consolidated leverage ratio. The Credit Agreement also calls for other customary fees and charges, including an unused commitment fee ranging from 0.150% to 0.200% of the unused lending commitments, based on our consolidated leverage ratio. The Credit Agreement contains customary covenants and restrictions, including covenants that require us to maintain a minimum interest charge ratio, not to exceed a specified consolidated leverage ratio and to comply with laws,

and restrictions on the ability to pay dividends and make certain other distributions, as specified therein. Failure to comply with these covenants would constitute an event of default under the Credit Agreement, notwithstanding the ability of the company to meet its debt service obligations. The Credit Agreement also includes various customary remedies for the lenders following an event of default, including the acceleration of repayment of outstanding amounts under the Credit Agreement.

At December 31, 2020, we had no outstanding principal balance on our Credit Agreement. We had outstanding letters of credit of \$0.1 million which reduced the amount available on our Credit Agreement to \$899.9 million at December 31, 2020, after giving effect to the temporary reduction of the capacity of our Credit Agreement described above through September 30, 2021.

At December 31, 2020, we had an outstanding principal balance of \$750.0 million on our 5.25% senior unsecured notes due 2023 (the “2023 Notes”) and an outstanding principal balance of \$1.0 billion on our 6.25% senior unsecured notes due 2027 (the “2027 Notes”). On January 7, 2021, we redeemed the outstanding principal balance of \$750.0 million on our 2023 Notes. Our obligations under the 2023 Notes were, and the 2027 Notes are, guaranteed on an unsecured senior basis by the same subsidiaries and affiliated professional contractors that guarantee our Credit Agreement. Interest on the 2023 Notes accrued at the rate of 5.25% per annum, or \$39.4 million, and was payable semi-annually in arrears on June 1 and December 1. Interest on the 2027 Notes accrues at the rate of 6.25% per annum, or \$62.5 million, and is payable semi-annually in arrears on January 15 and July 15.

The indenture under which the 2027 Notes are issued, among other things, limits our ability to (1) incur liens and (2) enter into sale and lease-back transactions, and also limits our ability to merge or dispose of all or substantially all of our assets, in all cases, subject to a number of customary exceptions. Although we are not required to make mandatory redemption or sinking fund payments with respect to the 2027 Notes, upon the occurrence of a change in control of Mednax, we may be required to repurchase the 2027 Notes at a purchase price equal to 101% of the aggregate principal amount of the 2027 Notes repurchased plus accrued and unpaid interest.

At December 31, 2020, we believe we were in compliance, in all material respects, with the financial covenants and other restrictions applicable to us under the Credit Agreement and the 2023 Notes and the 2027 Notes.

The exercise of employee stock options and the purchase of common stock by participants in our 1996 Non-Qualified Employee Stock Purchase Plan, as amended (the “ESPP”), and our 2015 Non-Qualified Stock Purchase Plan (the “SPP”) generated cash proceeds of \$7.0 million, \$11.3 million and \$16.3 million for the years ended December 31, 2020, 2019 and 2018, respectively. Because stock option exercises and purchases under the ESPP and SPP are dependent on several factors, including the market price of our common stock, we cannot predict the timing and amount of any future proceeds.

We maintain professional liability insurance policies with third-party insurers, subject to self-insured retention, exclusions and other restrictions. We self-insure our liabilities to pay self-insured retention amounts under our professional liability insurance coverage through a wholly owned captive insurance subsidiary. We record liabilities for self-insured amounts and claims incurred but not reported based on an actuarial valuation using historical loss information, claim emergence patterns and various actuarial assumptions. Our total liability related to professional liability risks at December 31, 2020 was \$315.9 million, of which \$50.6 million is classified as a current liability within accounts payable and accrued expenses in the Consolidated Balance Sheet. In addition, there is a corresponding insurance receivable of \$61.4 million recorded as a component of other assets for certain professional liability claims that are covered by insurance policies.

We anticipate that funds generated from operations, together with our current cash on hand and funds available under our Credit Agreement, will be sufficient to finance our working capital requirements, fund

anticipated acquisitions and capital expenditures, fund expenses related to our transformational and restructuring activities, fund our share repurchase programs and meet our contractual obligations as described below for at least the next 12 months from the date of issuance of this Form 10-K.

## CONTRACTUAL OBLIGATIONS

At December 31, 2020, we had the following obligations and commitments (in thousands):

| <u>Obligation</u>                     | <u>Payments Due</u> |                  |                          |                          |                           |
|---------------------------------------|---------------------|------------------|--------------------------|--------------------------|---------------------------|
|                                       | <u>Total</u>        | <u>2021</u>      | <u>2022<br/>and 2023</u> | <u>2024<br/>and 2025</u> | <u>2026<br/>and Later</u> |
| Senior notes <sup>(1)</sup> . . . . . | \$2,137,901         | \$823,004        | \$125,000                | \$125,000                | \$1,064,897               |
| Operating leases . . . . .            | 64,727              | 19,681           | 28,981                   | 12,187                   | 3,878                     |
|                                       | <u>\$2,202,628</u>  | <u>\$842,685</u> | <u>\$153,981</u>         | <u>\$137,187</u>         | <u>\$1,068,775</u>        |

<sup>(1)</sup> Amounts include interest payments at the applicable rate as of December 31, 2020 and assumed the amount outstanding under our 2023 Notes were paid on the early redemption date of January 7, 2021, including the early redemption premium, and the 2027 Notes will be paid on their maturity date of January 15, 2027.

At December 31, 2020, our total liability for uncertain tax positions was \$7.2 million, all of which is included within other liabilities on our Consolidated Balance Sheets. The timing and amount of future cash flows for each year beyond 2020 cannot be reasonably estimated. See Note 14 to our Consolidated Financial Statements in this Form 10-K for more information regarding our uncertain tax positions.

## OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements as of December 31, 2020 that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

## NEW ACCOUNTING PRONOUNCEMENTS

In December 2019, accounting guidance related to income taxes was issued with the goal of enhancing and simplifying various aspects of the income tax accounting guidance, including requirements related to hybrid tax regimes, deferred taxes on step-up in tax basis of goodwill obtained in a transaction that is not a business combination, separate financial statements of entities not subject to tax, the intraperiod tax allocation exception to the incremental approach, deferred tax liabilities on outside basis differences, and interim-period accounting for enacted changes in tax law and certain year-to-date loss limitations. The guidance became effective for us on January 1, 2021. We do not believe the adoption of this guidance will have a material impact on our consolidated financial statements and related disclosures.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are subject to market risk primarily from exposure to changes in interest rates based on our financing, investing and cash management activities. We intend to manage interest rate risk through the use of a combination of fixed rate and variable rate debt. We borrow under our Credit Agreement at various interest rate options based on the Alternate Base Rate or LIBOR rate depending on certain financial ratios. At December 31, 2020, we had no outstanding borrowings on our Credit Agreement.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The following Consolidated Financial Statements and Financial Statement Schedule of Mednax, Inc. and its subsidiaries are included in this Form 10-K on the pages set forth below:

**INDEX TO FINANCIAL STATEMENTS  
AND FINANCIAL STATEMENT SCHEDULE**

|  | <u>Page</u> |
|--|-------------|
| <b>Consolidated Financial Statements</b>   |             |
| Report of Independent Registered Certified Public Accounting Firm .....                                    | 75          |
| Consolidated Balance Sheets at December 31, 2020 and 2019 .....  | 78          |
| Consolidated Statements of Income for the Years Ended December 31, 2020, 2019 and 2018 .....               | 79          |
| Consolidated Statements of Equity for the Years Ended December 31, 2020, 2019 and 2018 .....               | 80          |
| Consolidated Statements of Cash Flows for the Years Ended December 31, 2020, 2019 and 2018 .....           | 81          |
| Notes to Consolidated Financial Statements .....   | 82          |
| <b>Financial Statement Schedule</b>  |             |
| Schedule II – Valuation and Qualifying Accounts for the Years Ended December 31, 2020, 2019 and 2018 ..... | 111         |



## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Mednax, Inc.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Mednax, Inc and its subsidiaries (the “Company”) as of December 31, 2020 and 2019, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended December 31, 2020, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

### ***Basis for Opinions***

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in

accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Valuation of Patient Services Accounts Receivable – Allowance for Contractual Adjustments and Uncollectibles*

As described in Notes 3 and 5 to the consolidated financial statements, patient service revenue is recognized at the time services are provided by the Company's affiliated physicians. Payments for services rendered are generally less than billed charges. Contractual adjustments result from the difference between the physician rates for services performed and the reimbursements by third-party payors for such services. Patient service revenue is presented net of an estimated provision for contractual adjustments and uncollectibles. Management estimates the allowance for contractual adjustments and uncollectibles on accounts receivable based upon historical experience and other factors, including days sales outstanding for accounts receivable, evaluation of expected adjustments and delinquency rates, past adjustments and collection experience in relation to amounts billed, an aging of accounts receivable, current contract and reimbursement terms, changes in payor mix and other relevant information. Patient services accounts receivable makes up a significant portion of the Company's consolidated net accounts receivable balance of \$241.9 million as of December 31, 2020.

The principal considerations for our determination that performing procedures relating to valuation of patient services accounts receivable—allowance for contractual adjustments and uncollectibles is a critical audit matter is the significant judgment by management to determine the estimated allowance to adjust the patient services accounts receivable to the amount that will be collected in the future under the terms of third-party payor contracts, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating the audit evidence obtained related to the valuation of patient services accounts receivable.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the valuation of patient accounts receivable, which included controls over management's model, data, and assumptions used to estimate the allowance for contractual adjustments and uncollectibles from third parties. These procedures also included, among others, (i) evaluating management's process for developing the allowance for contractual adjustments and uncollectibles; (ii) testing the completeness and accuracy of underlying data used in the model; (iii) evaluating the historical accuracy of management's process for

developing the estimate of the amount which will ultimately be collected by comparing actual cash collections to the previously recorded patient services accounts receivable; and (iv) developing an independent expectation of the amount expected to be collected by management. Developing an independent expectation involved calculating the percentage of cash collections as compared to the recorded patient services accounts receivable balance as of the end of the prior year and comparing that percentage to management's collection expectation used to determine the current year allowance for contractual adjustments and uncollectibles.

PricewaterhouseCoopers LLP  
Miami, Florida  
February 18, 2021

We have served as the Company's auditor since 1999.

**MEDNAX, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands)

|  | December 31, |             |
|--|--------------|-------------|
|  | 2020         | 2019        |
| <b>ASSETS</b>  |              |             |
| Current assets:  |              |             |
| Cash and cash equivalents .....  | \$1,123,843  | \$ 107,870  |
| Short-term investments .....   | 104,870      | 74,510      |
| Accounts receivable, net .....   | 241,931      | 434,266     |
| Prepaid expenses .....   | 16,898       | 17,108      |
| Other current assets .....   | 61,806       | 11,837      |
| Assets held for sale .....   | —            | 85,916      |
| Total current assets .....   | 1,549,348    | 731,507     |
| Assets held for sale .....   | —            | 1,641,580   |
| Property and equipment, net .....  | 76,191       | 72,677      |
| Goodwill .....   | 1,477,968    | 1,479,850   |
| Intangible assets, net .....   | 26,642       | 28,587      |
| Operating and finance lease right-of-use assets .....  | 55,972       | 56,413      |
| Deferred income tax assets .....   | 54,472       | 86,644      |
| Other assets .....   | 107,355      | 48,643      |
| Total assets .....   | \$3,347,948  | \$4,145,901 |
| <b>LIABILITIES &amp; EQUITY</b>  |              |             |
| Current liabilities:   |              |             |
| Accounts payable and accrued expenses .....  | \$ 423,157   | \$ 410,637  |
| Current portion of finance lease liabilities .....   | 2,219        | —           |
| Current portion of operating lease liabilities .....   | 18,933       | 18,254      |
| Income taxes payable .....   | 26           | 6,039       |
| Liabilities held for sale .....  | —            | 106,888     |
| Total current liabilities .....  | 444,335      | 541,818     |
| Liabilities held for sale .....  | —            | 46,005      |
| Long-term debt and finance lease liabilities, net .....  | 1,742,586    | 1,730,238   |
| Long-term operating lease liabilities .....  | 40,970       | 44,643      |
| Long-term professional liabilities .....   | 265,274      | 204,914     |
| Deferred income tax liabilities .....  | 61,746       | 56,468      |
| Other liabilities .....  | 45,320       | 22,819      |
| Total liabilities .....  | 2,600,231    | 2,646,905   |
| Commitments and contingencies  |              |             |
| Shareholders' equity:  |              |             |
| Preferred stock; \$.01 par value; 1,000 shares authorized; none issued .....   | —            | —           |
| Common stock; \$.01 par value; 200,000 shares authorized; 85,593 and 84,248<br>shares issued and outstanding, respectively ..... | 856          | 842         |
| Additional paid-in capital .....   | 1,029,453    | 987,942     |
| Accumulated other comprehensive income .....   | 3,530        | 78          |
| Retained (deficit) earnings .....  | (286,354)    | 510,134     |
| Total Mednax, Inc. shareholders' equity .....  | 747,485      | 1,498,996   |
| Noncontrolling interest .....  | 232          | —           |
| Total equity .....   | 747,717      | 1,498,996   |
| Total liabilities and equity .....   | \$3,347,948  | \$4,145,901 |

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**MEDNAX, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except for per share data)

|   | Years Ended December 31, |                       |                   |
|---|--------------------------|-----------------------|-------------------|
|   | <u>2020</u>              | <u>2019</u>           | <u>2018</u>       |
| Net revenue .....   | \$1,733,951              | \$ 1,779,759          | \$1,723,107       |
| Operating expenses:   |                          |                       |                   |
| Practice salaries and benefits .....                            | 1,193,940                | 1,180,759             | 1,125,671         |
| Practice supplies and other operating expenses .....            | 90,690                   | 95,911                | 92,475            |
| General and administrative expenses .....                       | 248,947                  | 244,512               | 232,218           |
| Depreciation and amortization .....                             | 28,441                   | 25,931                | 24,355            |
| Transformational and restructuring related expenses .....       | 73,801                   | 60,890                | —                 |
| Total operating expenses .....                                  | <u>1,635,819</u>         | <u>1,608,003</u>      | <u>1,474,719</u>  |
| Income from operations .....                                    | 98,132                   | 171,756               | 248,388           |
| Investment and other income .....                               | 17,913                   | 3,686                 | 3,051             |
| Interest expense .....  | (110,482)                | (118,928)             | (92,945)          |
| Equity in earnings of unconsolidated affiliates .....           | 1,585                    | 2,270                 | 7,714             |
| Net non-operating expenses .....                                | <u>(90,984)</u>          | <u>(112,972)</u>      | <u>(82,180)</u>   |
| Income from continuing operations before income<br>taxes .....  | 7,148                    | 58,784                | 166,208           |
| Income tax provision .....                                      | <u>(16,728)</u>          | <u>(16,576)</u>       | <u>(44,694)</u>   |
| (Loss) income from continuing operations .....                  | (9,580)                  | 42,208                | 121,514           |
| (Loss) income from discontinued operations, net of<br>tax ..... | <u>(786,908)</u>         | <u>(1,539,910)</u>    | <u>147,115</u>    |
| Net (loss) income .....   | <u>\$ (796,488)</u>      | <u>\$ (1,497,702)</u> | <u>\$ 268,629</u> |
| Per common and common equivalent share data:                    |                          |                       |                   |
| (Loss) income from continuing operations:                       |                          |                       |                   |
| Basic .....   | \$ (0.11)                | \$ 0.50               | \$ 1.33           |
| Diluted .....   | <u>\$ (0.11)</u>         | <u>\$ 0.50</u>        | <u>\$ 1.33</u>    |
| (Loss) income from discontinued operations:                     |                          |                       |                   |
| Basic .....   | \$ (9.44)                | \$ (18.44)            | \$ 1.62           |
| Diluted .....   | <u>\$ (9.44)</u>         | <u>\$ (18.33)</u>     | <u>\$ 1.60</u>    |
| Net (loss) income:  |                          |                       |                   |
| Basic .....   | \$ (9.55)                | \$ (17.94)            | \$ 2.95           |
| Diluted .....   | <u>\$ (9.55)</u>         | <u>\$ (17.83)</u>     | <u>\$ 2.93</u>    |
| Weighted average common shares:                                 |                          |                       |                   |
| Basic .....   | 83,395                   | 83,495                | 91,104            |
| Diluted .....   | <u>83,395</u>            | <u>84,011</u>         | <u>91,606</u>     |

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**MEDNAX, INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
(in thousands)

|   | Common Stock        |              | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Total<br>Equity   |
|---|---------------------|--------------|----------------------------------|----------------------|-------------------|
|   | Number of<br>Shares | Amount       |                                  |                      |                   |
| Balance at December 31, 2017  | 93,721              | \$937        | \$1,017,328                      | \$ 2,048,189         | \$ 3,066,454      |
| Net income  | —                   | —            | —                                | 268,629              | 268,629           |
| Common stock issued under employee stock option, employee stock purchase plan and stock purchase plan | 495                 | 5            | 18,914                           | —                    | 18,919            |
| Issuance of restricted stock  | 770                 | 8            | (8)                              | —                    | —                 |
| Stock-based compensation expense  | —                   | —            | 38,703                           | —                    | 38,703            |
| Stock swaps   | (56)                | (1)          | (2,660)                          | —                    | (2,661)           |
| Forfeitures of restricted stock   | (69)                | (1)          | 1                                | —                    | —                 |
| Repurchased common stock  | (7,041)             | (70)         | (79,631)                         | (222,459)            | (302,160)         |
| Balance at December 31, 2018  | 87,820              | \$878        | \$ 992,647                       | \$ 2,094,359         | \$ 3,087,884      |
| Net loss  | —                   | —            | —                                | (1,497,702)          | (1,497,702)       |
| Unrealized holding gain on investments, net of tax <sup>(1)</sup>                                     |                     |              |                                  | 78                   | 78                |
| Common stock issued under employee stock option, employee stock purchase plan and stock purchase plan | 533                 | 5            | 11,942                           | —                    | 11,947            |
| Issuance of restricted stock  | 1,113               | 11           | (11)                             | —                    | —                 |
| Stock-based compensation expense  | —                   | —            | 42,758                           | —                    | 42,758            |
| Stock swaps   | (20)                | —            | (689)                            | —                    | (689)             |
| Forfeitures of restricted stock   | (132)               | (1)          | 1                                | —                    | —                 |
| Repurchased common stock  | (5,066)             | (51)         | (58,706)                         | (86,523)             | (145,280)         |
| Balance at December 31, 2019  | 84,248              | \$842        | \$ 987,942                       | \$ 510,212           | \$ 1,498,996      |
| Net loss  | —                   | —            | —                                | (796,488)            | (796,488)         |
| Contribution from noncontrolling interests, net of loss <sup>(1)</sup>                                |                     |              |                                  | 232                  | 232               |
| Unrealized holding gain on investments, net of tax <sup>(1)</sup>                                     |                     |              |                                  | 3,452                | 3,452             |
| Common stock issued under employee stock option, employee stock purchase plan and stock purchase plan | 538                 | 5            | 7,004                            | —                    | 7,009             |
| Issuance of restricted stock and conversion of deferred stock to common stock                         | 1,450               | 15           | (15)                             | —                    | —                 |
| Stock-based compensation expense  | —                   | —            | 43,009                           | —                    | 43,009            |
| Forfeitures of restricted stock   | (173)               | (2)          | 2                                | —                    | —                 |
| Repurchased common stock  | (470)               | (4)          | (8,489)                          | —                    | (8,493)           |
| Balance at December 31, 2020  | <u>85,593</u>       | <u>\$856</u> | <u>\$1,029,453</u>               | <u>\$ (282,592)</u>  | <u>\$ 747,717</u> |

<sup>(1)</sup> Presented within retained (deficit) earnings as the balance is immaterial.

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**MEDNAX, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

|   | Years Ended December 31, |               |             |
|---|--------------------------|---------------|-------------|
|   | 2020                     | 2019          | 2018        |
| <b>Cash flows from operating activities:</b>  |                          |               |             |
| Net (loss) income   | \$ (796,488)             | \$(1,497,702) | \$ 268,629  |
| Loss (income) from discontinued operations  | 786,908                  | 1,539,910     | (147,115)   |
| Adjustments to reconcile net income to net cash provided from operating activities: |                          |               |             |
| Depreciation and amortization   | 28,441                   | 25,931        | 24,355      |
| Amortization of premiums, discounts and issuance costs                              | 7,163                    | 5,672         | 4,572       |
| Stock-based compensation expense  | 39,042                   | 33,410        | 36,589      |
| Deferred income taxes   | 36,292                   | (55,715)      | (35,894)    |
| Other   | (198)                    | 6,553         | (1,886)     |
| Changes in assets and liabilities:  |                          |               |             |
| Accounts receivable   | 37,937                   | 6,512         | (35,262)    |
| Prepaid expenses and other current assets   | (47,956)                 | (24,621)      | 15,087      |
| Other long-term assets  | 13,916                   | 32,121        | (1,736)     |
| Accounts payable and accrued expenses   | 47,908                   | 46,196        | (3,039)     |
| Income taxes payable  | (6,931)                  | (24,120)      | (61,408)    |
| Payment of contingent consideration liabilities                                     | —                        | —             | (1,093)     |
| Long-term professional liabilities  | 4,336                    | 5,413         | (6,393)     |
| Other liabilities   | 3,518                    | (25,469)      | 3,615       |
| Net cash provided by operating activities – continuing operations                   | 153,888                  | 74,091        | 59,021      |
| Net cash provided by operating activities – discontinued operations                 | 50,732                   | 283,620       | 254,687     |
| Net cash provided by operating activities   | 204,620                  | 357,711       | 313,708     |
| <b>Cash flows from investing activities:</b>  |                          |               |             |
| Acquisition payments, net of cash acquired  | (2,225)                  | (46,975)      | (65,370)    |
| Purchases of investments  | (61,845)                 | (35,101)      | (15,884)    |
| Proceeds from maturities or sales of investments                                    | 33,432                   | 51,105        | 13,710      |
| Purchases of property and equipment   | (28,788)                 | (19,269)      | (17,120)    |
| Proceeds from sales of businesses, net of cash sold                                 | 1,080                    | —             | —           |
| Net cash (used in) provided by investing activities – continuing operations         | (58,346)                 | (50,240)      | (84,664)    |
| Net cash provided by (used in) investing activities – discontinued operations       | 873,857                  | 152,695       | (58,105)    |
| Net cash provided by (used in) investing activities                                 | 815,511                  | 102,455       | (142,769)   |
| <b>Cash flows from financing activities:</b>  |                          |               |             |
| Borrowings on credit agreement  | 527,500                  | 1,247,300     | 1,723,500   |
| Payments on credit agreement  | (527,500)                | (1,986,800)   | (2,094,500) |
| Proceeds from issuance of senior notes  | —                        | 500,000       | 500,000     |
| Payments for credit facility amendment and financing costs                          | (510)                    | (9,194)       | (7,090)     |
| Payments of contingent consideration liabilities                                    | —                        | (1,394)       | (5,263)     |
| Payments on finance lease obligations   | (1,161)                  | —             | —           |
| Proceeds from issuance of common stock  | 7,009                    | 11,258        | 16,258      |
| Contribution from noncontrolling interests  | 245                      | —             | —           |
| Repurchases of common stock   | (8,493)                  | (145,280)     | (302,160)   |
| Net cash used in financing activities – continuing operations                       | (2,910)                  | (384,110)     | (169,255)   |
| Net cash used in financing activities – discontinued operations                     | (1,248)                  | (8,960)       | (1,355)     |
| Net cash used in financing activities   | (4,158)                  | (393,070)     | (170,610)   |
| Net increase in cash and cash equivalents   | 1,015,973                | 67,096        | 329         |
| Cash, cash equivalents at beginning of year   | 107,870                  | 40,774        | 40,445      |
| Cash and cash equivalents at end of year  | \$1,123,843              | \$ 107,870    | \$ 40,774   |
| <b>Supplemental disclosure of cash flow information:</b>                            |                          |               |             |
| Cash paid (refunded) for:   |                          |               |             |
| Interest  | \$ 110,488               | \$ 95,444     | \$ 82,540   |
| Income taxes  | \$ (27,775)              | \$ 86,268     | \$ 185,416  |
| Non-cash investing and financing activities:  |                          |               |             |
| Equipment financed through finance leases   | \$ 12,507                | \$ —          | \$ —        |
| Property and equipment included in accounts payable                                 | \$ 2,305                 | \$ 2,400      | \$ 2,415    |

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**MEDNAX, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. General:**

The principal business activity of Mednax, Inc. (“Mednax” or the “Company”) and its subsidiaries is to provide neonatal, maternal-fetal and other pediatric subspecialty physician services. The Company has contracts with affiliated business corporations or professional associations, limited liability companies and partnerships (“affiliated professional contractors”), which are separate legal entities that provide physician services in certain states and Puerto Rico. The Company and its affiliated professional contractors also have contracts with hospitals and other healthcare facilities to provide physician services, which include (i) fee-for-service contracts, whereby hospitals and other customers agree, in exchange for the Company’s services, to authorize the Company and its healthcare professionals to bill and collect the charges for medical services rendered by the Company’s affiliated healthcare professionals, and (ii) administrative fee contracts, whereby the Company is assured a minimum revenue level.

**2. Coronavirus Pandemic (“COVID-19”):**

COVID-19 and related “stay at home” and social distancing measures implemented across the country have significantly impacted demand for medical services provided by the Company’s affiliated clinicians. Beginning in mid-March 2020, the Company experienced a significant decline in the number of elective surgeries at the facilities where the Company’s affiliated clinicians provided anesthesiology services. Much of this decline was due to the closure of operating suites or facilities following federal advisories to cancel non-urgent procedures and the prohibition of such procedures by several states. Within the Company’s radiology services medical group, orders for radiological studies declined by a meaningful amount from historically normal levels, with much of this reduction focused in non-urgent studies. See Note 9 – Discontinued Operations for information regarding the divestment of the Company’s anesthesiology and radiology services medical groups.

The Company’s affiliated women’s and children’s office-based practices, which specialize in maternal-fetal medicine, pediatric cardiology, and numerous pediatric subspecialties, experienced a significant elevation of appointment cancellations compared to historical normal levels. The Company believes COVID-19, either directly or indirectly, has also had an impact on its neonatology intensive care unit (“NICU”) patient volumes, and there is no assurance that impacts from COVID-19 will not further adversely affect its NICU patient volumes or otherwise adversely affect its NICU and related neonatology business. Overall, the Company’s operating results were significantly impacted by the COVID-19 pandemic beginning in mid-March 2020, but volumes did begin to normalize in May 2020 and substantially recovered during the months of June 2020 through December 2020.

The Company implemented a number of actions to preserve financial flexibility and partially mitigate the significant anticipated impact of COVID-19. These steps included a suspension of most activities related to the Company’s transformational and restructuring programs, limiting these expenditures to those that provide essential support for the Company’s response to COVID-19. In addition, (i) the Company temporarily reduced executive and key management base salaries, including 50% reductions in salaries for its named executive officers through June 30, 2020; (ii) the Board of Directors agreed to forego their annual cash retainer and cash meeting payments, also through June 30, 2020; (iii) the Company enacted a combination of salary reductions and furloughs for non-clinical employees; and (iv) the Company enacted significant operational and practice-specific expense reduction plans across its clinical operations. The Company also divested its anesthesiology services medical group in May 2020, where operating results were significantly impacted by COVID-19.

In response to the anticipated impact of COVID-19 on the Company’s results of operations, on March 25, 2020, the Company amended and restated its Credit Agreement to, among other things, (i) establish a deemed Consolidated EBITDA of \$139.2 million for the second and third quarters of 2020, reflecting average Adjusted



EBITDA from continuing operations for the prior eight quarters (calculated for purposes of the Credit Agreement), which will be used in the calculation of rolling four consecutive quarter Consolidated EBITDA under the Credit Agreement, (ii) temporarily increase the maximum consolidated net leverage ratio required to be maintained by the Company from 4.50:1:00 to 5.00:1:00 for the second and third quarters of 2020 and 4.75:1:00 for the fourth quarter of 2020, before returning to 4.50:1:00 for the first quarter of 2021 and beyond, (iii) require that the Company maintains minimum availability under the Credit Agreement of \$300.0 million through the third quarter of 2021, (iv) provide for a weekly repayment of borrowings under the Credit Agreement through the second quarter of 2021 using unrestricted cash on hand in excess of \$300.0 million, plus a reserve for certain payables, and (v) temporarily restrict the Company's ability to make restricted payments under the Credit Agreement for the remainder of 2020, subject to certain exceptions. At December 31, 2020, the Company believes it was in compliance, in all material respects, with the financial covenants and other restrictions applicable to the Company under its Credit Agreement, its 5.25% senior unsecured notes due 2023 and its 6.25% senior unsecured notes due 2027. The Company believes it will be in compliance with these covenants for the next twelve months. At December 31, 2020, the Company had no outstanding principal balance on its Credit Agreement. The Company had outstanding letters of credit of \$0.1 million which reduced the amount available on its Credit Agreement to \$899.9 million at December 31, 2020, after giving effect to the temporary reduction of the capacity of its Credit Agreement described above through September 30, 2021.

### ***CARES Act***

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The CARES Act is a relief package intended to assist many aspects of the American economy, including providing up to \$100 billion in aid to the healthcare industry to reimburse healthcare providers for lost revenue and expenses attributable to COVID-19. The remaining \$70 billion in aid is intended to focus on providers in areas particularly impacted by COVID-19, rural providers, providers of services with lower shares of Medicare reimbursement or who predominantly serve the Medicaid population, and providers requesting reimbursement for the treatment of uninsured Americans. It is unknown what, if any, portion of the remaining healthcare industry funding on the CARES Act the Company and its affiliated physician practices will qualify for and receive. The Department of Health and Human Services ("HHS") is administering this program and began disbursing funds in April 2020, of which the Company's affiliated physician practices within continuing operations received an aggregate of approximately \$22.0 million during the year ended December 31, 2020. The Company has applications pending for certain affiliated physician practices for incremental relief beyond what has been received.

In addition, the CARES Act also provides for deferred payment of the employer portion of social security taxes through the end of 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. The Company utilized this deferral option throughout 2020.

The COVID-19 pandemic has materially impacted the Company's financial results, but due to the rapidly evolving environment and continued uncertainties surrounding the timeline of and impacts from COVID-19, the Company is unable to predict the ultimate impact on its business, financial condition, results of operations and cash flows. The Company, however, believes it will be able to generate sufficient liquidity to satisfy its obligations for the next twelve months.

## **3. Summary of Significant Accounting Policies:**

### **Principles of Presentation**

The consolidated financial statements include all the accounts of the Company and its subsidiaries combined with the accounts of the affiliated professional contractors with which the Company currently has specific management arrangements. The Company's agreements with affiliated professional contractors provide that the term of the arrangements are in most cases 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 Company's affiliated professional contractors, in an amount that fluctuates based on the performance of the affiliated professional contractors and the change in the fair value of the Company's interest in the affiliated professional contractors. The Company has exclusive responsibility for the provision of all non-medical services required for the day-to-day operation and management of the Company's affiliated professional 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 Company's affiliated professional contractors for a nominal amount. Separately, in its sole discretion, the Company has the right to assign its interest in the agreements. Based upon the provisions of these agreements, the Company has determined that the affiliated professional contractors are variable interest entities and that the Company is the primary beneficiary as defined in the accounting guidance for consolidation. All significant intercompany and interaffiliate accounts and transactions have been eliminated.

The Company is a party to a joint venture in which it owns a 37.5% economic interest. The Company accounts for this joint venture under the equity method of accounting because the Company exercises significant influence over, but does not control, this entity.

In August 2020, the Company entered into a joint venture in which it owns a 51% economic interest and for which it is deemed the primary beneficiary. The equity interests of the outside investor in the equity of this consolidated entity is accounted for and presented as noncontrolling interests on the Company's Consolidated Balance Sheets. The results from operations attributable to the noncontrolling interests during the fourth quarter of 2020 were nominal and therefore not presented separately on the Company's Consolidated Statements of Income.

In October 2019, the Company divested its management services organization, which operated as MedData, to allow the Company to focus on its core physician services business. The operating results of MedData are reported as discontinued operations in the Company's Consolidated Statements of Income for the years ended December 31, 2019 and 2018.

In May 2020, the Company divested its anesthesiology services medical group. The operating results of this medical group are reported as discontinued operations in the Company's Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018.

In December 2020, the Company divested its radiology services medical group. The operating results of this medical group are reported as discontinued operations in the Company's Consolidated Statements of Income for the year ended December 31, 2020, 2019 and 2018.

Reclassifications have been made to certain prior period financial statements and footnote disclosures to reflect the impact of discontinued operations. See Note 9 – Discontinued Operations for more information.

### **New Accounting Pronouncements**

In December 2019, accounting guidance related to income taxes was issued with the goal of enhancing and simplifying various aspects of the income tax accounting guidance, including requirements related to hybrid tax regimes, deferred taxes on step-up in tax basis of goodwill obtained in a transaction that is not a business combination, separate financial statements of entities not subject to tax, the intraperiod tax allocation exception to the incremental approach, deferred tax liabilities on outside basis differences, and interim-period accounting for enacted changes in tax law and certain year-to-date loss limitations. The guidance became effective for the Company on January 1, 2021. The Company does not believe adoption of this new guidance will have a material impact on its Consolidated Financial Statements or related disclosures.

## Accounting Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make 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 revenue and expenses during the reporting periods. Significant estimates and assumptions are involved in the calculation of the Company’s allowance for contractual adjustments and uncollectibles on accounts receivable, liabilities for self-insured amounts and claims incurred but not reported related to the Company’s professional liability risks and the fair value of goodwill. Actual results could differ from those estimates.

## Segment Reporting

The Company has one reportable segment, which is also its single reporting unit, for purposes of presenting financial information in accordance with the accounting guidance for segment reporting.

The following table summarizes the Company’s net revenue from continuing operations by service line (in percentages):

|  | Years Ended<br>December 31, |             |             |
|--|-----------------------------|-------------|-------------|
|  | 2020                        | 2019        | 2018        |
| Neonatology and other pediatric subspecialties . . . . . | 77%                         | 78%         | 78%         |
| Maternal-fetal medicine . . . . .                        | 18%                         | 17%         | 16%         |
| Pediatric cardiology . . . . .                           | 5%                          | 5%          | 6%          |
|  | <u>100%</u>                 | <u>100%</u> | <u>100%</u> |

## Revenue Recognition

Patient service revenue is recognized at the time services are provided by the Company’s affiliated physicians. The Company’s performance obligations related to the delivery of services to patients are satisfied at the time of service. Accordingly, there are no performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period with respect to patient service revenue. Almost all of the Company’s patient service revenue is reimbursed by GHC Programs and third-party insurance payors. Payments for services rendered to the Company’s patients are generally less than billed charges. The Company monitors its revenue and receivables from these sources and records an estimated contractual allowance to properly account for the anticipated differences between billed and reimbursed amounts.

Accordingly, patient service revenue is presented net of an estimated provision for contractual adjustments and uncollectibles. The Company estimates allowances for contractual adjustments and uncollectibles on accounts receivable based upon historical experience and other factors, including days sales outstanding (“DSO”) for accounts receivable, evaluation of expected adjustments and delinquency rates, past adjustments and collection experience in relation to amounts billed, an aging of accounts receivable, current contract and reimbursement terms, changes in payor mix and other relevant information. Contractual adjustments result from the difference between the physician rates for services performed and the reimbursements by GHC Programs and third-party insurance payors for such services.

Collection of patient service revenue the Company expects to receive is normally a function of providing complete and correct billing information to the GHC Programs and third-party insurance payors within the various filing deadlines and typically occurs within 30 to 60 days of billing.

Some of the Company’s hospital agreements require hospitals to pay the Company administrative fees. Some agreements provide for fees if the hospital does not generate sufficient patient volume in order to guarantee

that the Company receives a specified minimum revenue level. The Company also receives fees from hospitals for administrative services performed by its affiliated physicians providing medical director or other services at the hospital.

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 GHC Programs geographically dispersed throughout the United States and its territories. Concentration of credit risk relating to accounts receivable is limited by the 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 GHC Programs made up approximately 22% and 21% of net accounts receivable related to continuing operations at December 31, 2020 and 2019, respectively.

### **Cash and 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 typically consist of demand deposits, amounts on deposit in money market accounts, and funds invested in overnight repurchase agreements. Cash equivalent balances may, at certain times, exceed federally insured limits. Certain cash equivalents carried by the Company are subject to the fair value provisions of the accounting guidance for fair value measurements. See "Fair Value Measurements" below.

### **Investments**

Investments consist primarily of corporate securities, municipal debt securities, federal home loan securities and certificates of deposit. The Company classifies its investments as available for sale. Although there is no stated expectation that the investments will be sold within one year, the investments are available for use, if needed, and accordingly are classified as short-term. Such investments are carried at fair value with any unrealized gains and losses reported as a component of other accumulated comprehensive income or loss.

### **Property and Equipment**

Property and equipment are recorded at original purchase cost. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the underlying assets. Estimated useful lives are generally 30 years for buildings; three to seven years for medical equipment, computer equipment, software and furniture; and the lesser of the useful life or the remaining lease term for leasehold improvements and finance leases. Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in earnings.

### **Business Acquisitions**

The Company accounts for all business acquisitions at fair value and expenses acquisition costs as they are incurred. Any identifiable assets acquired and liabilities assumed are recognized and measured at their respective fair values on the acquisition date. If information about facts and circumstances existing as of the acquisition date is incomplete at the end of the reporting period in which a business acquisition occurs, the Company will report provisional amounts for the items for which the accounting is incomplete. The measurement period ends once the Company receives sufficient information to finalize the fair values; however, the period will not exceed one year from the acquisition date. Any adjustments to provisional amounts that are identified during the measurement period are recognized in the reporting period in which the adjustment amounts are determined.

In connection with certain acquisitions, the Company enters into agreements to pay additional amounts in cash or common stock based on the achievement of certain performance measures for up to five years ending after the acquisition dates. The Company measures this contingent consideration at fair value at the acquisition

date and records such contingent consideration as a liability or equity on the Company's Consolidated Balance Sheets on the acquisition date. The fair value of each contingent consideration liability is remeasured at each reporting period with any change in fair value recognized as income or expense within operations in the Company's Consolidated Statements of Income.

### **Goodwill and Other Intangible Assets**

The Company records acquired assets and assumed liabilities at their respective fair values under the acquisition method of accounting. Goodwill represents the excess of purchase price over the fair value of the net assets acquired. Intangible assets with finite lives, principally physician and hospital agreements, are recognized apart from goodwill at the time of acquisition based on the contractual-legal and separability criteria established in the accounting guidance. Intangible assets with finite lives are amortized on either an accelerated basis based on the annual undiscounted economic cash flows associated with the particular intangible asset or on a straight-line basis over their estimated useful lives. Intangible assets with finite lives are amortized over periods of one to 20 years.

Goodwill is tested for impairment at a reporting unit level on at least an annual basis in accordance with the subsequent measurement provisions of the accounting guidance for goodwill. When testing goodwill for impairment, the Company may assess qualitative factors for its reporting units to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. Alternatively, the Company may bypass this qualitative assessment and perform the quantitative goodwill impairment test.

For 2020, the Company elected to perform the qualitative assessment, focused on various factors including macroeconomic conditions, market trends, specific reporting unit financial performance and other entity specific events, to determine if it was more likely than not that the fair value of its single reporting unit exceeded its carrying value, including goodwill. For 2019 and 2018, the Company bypassed the qualitative assessment and performed a quantitative test with any goodwill impairment measured as the amount by which a reporting unit's carrying value exceeds its fair value. The Company used income and market-based valuation approaches to determine the fair value of its single continuing operations reporting unit. These approaches focused on discounted cash flows and revenue and EBITDA multiples based on the Company's market capitalization to derive the fair value of the reporting unit. Significant assumptions used in these valuations included the weighted average cost of capital discount factor, revenue growth rates and revenue and EBITDA multiples. For both the qualitative and quantitative approaches, the Company considered 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 payor payments, and other publicly available information.

The Company completed annual impairment tests for its continuing operations in the third quarter of 2020, 2019 and 2018 and determined that goodwill was not impaired. See Note 8 – Goodwill and Intangible Assets for more information.

### **Long-Lived Assets**

The Company is required to evaluate long-lived assets, including intangible assets subject to amortization, 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 held for disposal 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, 2020 pursuant to current accounting standards.

### **Common Stock Repurchases**

The Company repurchases shares of its common stock as authorized from time to time by its Board of Directors. The Company treats repurchased shares of its common stock as retired as any repurchased shares become authorized but unissued shares. The reacquisition cost of repurchased shares is recorded as a reduction in the respective components of shareholders' equity.

### **Professional Liability Coverage**

The Company maintains professional liability insurance policies with third-party insurers generally on a claims-made basis, subject to deductibles or self-insured retention, exclusions and other restrictions. The Company's self-insured retention under its professional liability insurance program is maintained primarily through a wholly owned captive insurance subsidiary. The Company records an estimate of liabilities for self-insured amounts and claims incurred but not reported based on an actuarial valuation using historical loss information, claim emergence patterns and various actuarial assumptions. 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. If it is more likely than not that all or a portion of deferred tax assets will not be realized, a valuation allowance is provided against such deferred tax assets. In making such determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations.

The accounting guidance for uncertain tax positions prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance also requires policy disclosures regarding penalties and interest and extensive disclosures regarding increases and decreases in uncertain tax positions as a result of tax positions taken in a current or prior period, settlements with taxing authorities and any lapse of an applicable statute of limitations. Additional qualitative discussion is required for any tax position that may result in a significant increase or decrease in uncertain tax positions within a 12-month period from the Company's reporting date.

### **Stock Incentive Plans**

The Company grants stock-based awards consisting primarily of restricted stock to key employees under its Amended and Restated 2008 Incentive Compensation Plan. The Company measures the cost of employee services received in exchange for stock-based awards based on grant-date fair value and allocates the resulting compensation expense over the corresponding requisite service period using the graded vesting attribution method. The Company also performs analyses to estimate forfeitures of stock-based awards on an annual basis and adjusts the estimates as necessary based on the number of awards that ultimately vest.

### **Net Income Per Common Share**

Basic net income per common share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per common 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 outstanding restricted stock, deferred stock and stock options and is calculated using the treasury stock method.

## Fair Value Measurements

The accounting guidance establishes a fair value hierarchy that prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels:

Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following table presents information about the Company’s financial instruments that are accounted for at fair value on a recurring basis at December 31, 2020 and 2019 (in thousands):

|                                  | Fair Value Category | Fair Value        |                   |
|----------------------------------|---------------------|-------------------|-------------------|
|                                  |                     | December 31, 2020 | December 31, 2019 |
| Assets:                          |                     |                   |                   |
| Money market funds . . . . .     | Level 1             | \$ 1,010          | \$16,775          |
| Short-term investments . . . . . | Level 2             | 104,870           | 74,510            |
| Mutual funds . . . . .           | Level 1             | 15,841            | 14,264            |

The following table presents information about the Company’s financial instruments that are not carried at fair value at December 31, 2020 and 2019 (in thousands):

|                      | December 31, 2020 |            | December 31, 2019 |            |
|----------------------|-------------------|------------|-------------------|------------|
|                      | Carrying Amount   | Fair Value | Carrying Amount   | Fair Value |
| Liabilities:         |                   |            |                   |            |
| 2023 Notes . . . . . | 750,000           | 756,225    | 750,000           | 766,875    |
| 2027 Notes . . . . . | 1,000,000         | 1,070,000  | 500,000           | 1,025,600  |

The carrying amounts of cash equivalents, accounts receivable and accounts payable and accrued expenses approximate fair value due to the short maturities of the respective instruments. The carrying value of the line of credit approximates fair value. If the Company’s line of credit was measured at fair value, it would be categorized as Level 2 in the fair value hierarchy.

## 4. Investments:

Investments held are summarized as follows (in thousands):

|  | December 31,     |                 |
|--|------------------|-----------------|
|  | 2020             | 2019            |
| Corporate securities . . . . .         | \$ 71,095        | \$32,962        |
| Municipal debt securities . . . . .    | 18,707           | 29,066          |
| Federal home loan securities . . . . . | 8,017            | 8,013           |
| Certificates of deposit . . . . .      | 5,991            | 4,469           |
| U.S. Treasury securities . . . . .     | 1,060            | —               |
|  | <u>\$104,870</u> | <u>\$74,510</u> |

**5. Accounts Receivable and Net Revenue:**

Accounts receivable, net consists of the following (in thousands):

|  | <b>December 31,</b> |                   |
|--|---------------------|-------------------|
|  | <b>2020</b>         | <b>2019</b>       |
| Gross accounts receivable .....                                | \$1,106,394         | \$ 1,750,264      |
| Allowance for contractual adjustments and uncollectibles ..... | (864,463)           | (1,315,998)       |
|  | <u>\$ 241,931</u>   | <u>\$ 434,266</u> |

Net revenue consists of the following (in thousands):

|   | <b>Years Ended December 31,</b> |                    |                    |
|---|---------------------------------|--------------------|--------------------|
|   | <b>2020</b>                     | <b>2019</b>        | <b>2018</b>        |
| Net patient service revenue .....           | \$1,481,331                     | \$1,567,624        | \$1,529,561        |
| Hospital contract administrative fees ..... | 218,495                         | 197,340            | 181,050            |
| Other revenue .....                         | 34,125                          | 14,795             | 12,496             |
|   | <u>\$1,733,951</u>              | <u>\$1,779,759</u> | <u>\$1,723,107</u> |

The following is a summary of the Company's payor mix, expressed as a percentage of net revenue, exclusive of administrative fees and other miscellaneous revenue, for the periods indicated:

|                               | <b>Years Ended December 31,</b> |             |             |
|-------------------------------|---------------------------------|-------------|-------------|
|                               | <b>2020</b>                     | <b>2019</b> | <b>2018</b> |
| Contracted managed care ..... | 68%                             | 68%         | 67%         |
| Government .....              | 27%                             | 26%         | 26%         |
| Other third-parties .....     | 4%                              | 5%          | 6%          |
| Private-pay patients .....    | 1%                              | 1%          | 1%          |
|                               | <u>100%</u>                     | <u>100%</u> | <u>100%</u> |

Accounts receivable consist primarily of amounts due from GHC Programs and third-party insurance payors for services provided by the Company's affiliated physicians.

Net revenue consists primarily of gross billed charges for services provided by the Company's affiliated physicians less an estimated allowance for contractual adjustments and uncollectibles to properly account for the anticipated differences between gross billed charge amounts and expected reimbursement amounts.

The Company's contractual adjustments and uncollectibles as a percentage of gross patient service revenue vary slightly each year depending on several factors, including improved managed care contracting, changes in reimbursement from state Medicaid programs and other GHC Programs, shifts in the percentage of patient services being reimbursed under GHC Programs and annual price increases.

The Company's annual price increases typically increase contractual adjustments as a percentage of gross patient service revenue. This increase is primarily due to Medicaid, Medicare and other GHC Programs that generally provide for reimbursements on a fee-schedule basis rather than on a gross charge basis. When the Company bills these programs, like other payors, on a gross-charge basis, it also increases its provision for contractual adjustments and uncollectibles by the amount of any price increase, resulting in a higher contractual adjustment percentage.



Some of the Company's hospital agreements require hospitals to pay the Company administrative fees. Some agreements provide for fees if the hospital does not generate sufficient patient volume in order to guarantee that the Company receives a specified minimum revenue level. The Company also receives fees from hospitals for administrative services performed by its affiliated physicians providing medical director or other services at the hospital.

## 6. Property and Equipment:

Property and equipment consists of the following (in thousands):

|                                | December 31,     |                  |
|--------------------------------|------------------|------------------|
|                                | 2020             | 2019             |
| Building .....                 | \$ 26,934        | \$ 26,934        |
| Land .....                     | 6,683            | 6,683            |
| Equipment and other .....      | 203,017          | 192,004          |
|                                | 236,634          | 225,621          |
| Accumulated depreciation ..... | (160,443)        | (152,944)        |
|                                | <u>\$ 76,191</u> | <u>\$ 72,677</u> |

The Company recorded depreciation expense of \$19.3 million, \$18.7 million and \$17.8 million for the years ended December 31, 2020, 2019 and 2018, respectively.

## 7. Business Combinations:

During the year ended December 31, 2020, the Company completed the acquisition of one pediatric subspecialty practice for total consideration of \$2.1 million, of which \$1.9 million was paid in cash and \$0.2 million was recorded as a contingent consideration liability. This acquisition expanded the Company's national network of physician practices. In connection with this acquisition, the Company recorded tax deductible goodwill of \$0.8 million and other intangible assets consisting primarily of physician and hospital agreements of \$1.3 million.

During the year ended December 31, 2019, the Company completed eight acquisitions, consisting of two neonatology physician practices, two maternal-fetal physician practices and four other pediatric subspecialty practices for total cash consideration of \$47.0 million and accrued purchase consideration of \$0.3 million. These acquisitions expanded the Company's national network of physician practices. In connection with these acquisitions, the Company recorded goodwill of \$36.5 million, other intangible assets consisting primarily of physician and hospital agreements of \$10.5 million and fixed assets of \$0.2 million. The Company expects that all the goodwill recorded during the year ended December 31, 2019 will be deductible for tax purposes.

During the year ended December 31, 2019, the Company paid \$1.8 million for contingent consideration in connection with prior period acquisitions. No contingent consideration was paid by the Company in 2020.

## 8. Goodwill and Intangible Assets:

Goodwill was \$1.48 billion at December 31, 2020 and 2019. Goodwill is tested for impairment on at least an annual basis, in accordance with the subsequent measurement provisions of the accounting guidance for goodwill. Consistent with prior years, the Company performed its annual impairment test in the third quarter of 2020 and determined that goodwill was not impaired.

Intangible assets, net, consist of the following (in thousands):

|   | <b>December 31, 2020</b>            |                                     |                                   |
|---|-------------------------------------|-------------------------------------|-----------------------------------|
|   | <b>Gross<br/>Carrying<br/>Value</b> | <b>Accumulated<br/>Amortization</b> | <b>Net<br/>Carrying<br/>Value</b> |
| Physician and hospital agreements ..... | \$107,246                           | \$(83,089)                          | \$24,157                          |
| Other technology .....                  | 5,197                               | (2,712)                             | 2,485                             |
|   | <u>\$112,443</u>                    | <u>\$(85,801)</u>                   | <u>\$26,642</u>                   |

|   | <b>December 31, 2019</b>            |                                     |                                   |
|---|-------------------------------------|-------------------------------------|-----------------------------------|
|   | <b>Gross<br/>Carrying<br/>Value</b> | <b>Accumulated<br/>Amortization</b> | <b>Net<br/>Carrying<br/>Value</b> |
| Physician and hospital agreements ..... | \$ 99,828                           | \$(73,506)                          | \$26,322                          |
| Other technology .....                  | 3,682                               | (1,417)                             | 2,265                             |
|   | <u>\$103,510</u>                    | <u>\$(74,923)</u>                   | <u>\$28,587</u>                   |

During the year ended December 31, 2020, the Company recorded intangible assets related to acquisitions totaling \$1.3 million, consisting primarily of physician and hospital agreements. The weighted-average amortization period for these physician and hospital agreements is approximately seven years.

Amortization expense for intangible assets was \$7.6 million, \$7.3 million and \$6.8 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Amortization expense for existing intangible assets for the next five years is expected to be as follows (in thousands):

|            |         |
|------------|---------|
| 2021 ..... | \$7,117 |
| 2022 ..... | 5,245   |
| 2023 ..... | 4,264   |
| 2024 ..... | 2,883   |
| 2025 ..... | 1,966   |

## **9. Discontinued Operations:**

### *Divestiture of the Radiology Services Medical Group*

On September 9, 2020, the Company entered into a securities purchase agreement with Radiology Partners, Inc. to divest the Company's radiology services medical group, and the transaction closed on December 15, 2020. The purchase consideration was comprised of a cash payment of \$885 million paid at closing, subject to certain cash, minimum net working capital, indebtedness and other adjustments. The Company received approximately \$865 million at closing and used the proceeds of the transaction to redeem its \$750 million in outstanding principal amount of 5.25% senior notes due 2023 (the "2023 Notes") on January 7, 2021. The operating results of the radiology services medical group service line were reported as a component of discontinued operations, net of income taxes, in the Company's Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018.

The initial classification of the radiology services medical group to assets held for sale during the third quarter of 2020 impacted the net book value of the assets and liabilities expected to be transferred upon sale. The initial determination of the estimated fair value of the radiology services medical group was determined using the purchase price in the purchase agreement along with estimated broker, accounting, legal and other selling

expenses. The Company deemed the carrying amount of other assets within the medical group, specifically accounts receivable and property and equipment, to represent fair value and therefore recorded a non-cash charge of \$43.0 million against goodwill, which represented the difference between the estimated fair value of the radiology services medical group and the carrying amount of the net assets held for sale. Recognition of the charge against goodwill resulted in a tax benefit which generated an additional \$4.0 million deferred tax asset that increased the fair value of the medical group. An incremental non-cash charge was then required to reduce the radiology services medical group's net assets to its previously determined fair value. Accordingly, the Company recorded the incremental non-cash charge of \$4.0 million for a total non-cash charge of \$47.0 million, reducing the goodwill balance of the radiology services medical group.

Upon completion of the divestiture, the Company recorded an additional loss on disposal of \$36.4 million based on estimated closing date net assets sold and final net proceeds. A closing working capital true up is expected to occur during the first quarter of 2021, and the Company will adjust the loss on sale as necessary at that time.

Loss from discontinued operations, net of income taxes, for the radiology services medical group for the years ended December 31, 2020 and December 31, 2019 was \$63.8 million and \$72.8 million, respectively. Income from discontinued operations, net of income taxes, for the radiology services medical group for the year ended December 31, 2018 was \$37.4 million. Net revenue for the radiology services medical group for the years ended December 31, 2020, 2019 and 2018 was \$451.4 million, \$489.4 million and \$444.0 million, respectively. Operating loss for the radiology services medical group for the year ended December 31, 2020 was \$73.6 million, including a non-cash goodwill impairment charge of \$47.0 million and a preliminary loss on sale of \$36.4 million. Operating loss for the radiology services medical group for the year ended December 31, 2019 was \$75.3 million, including a non-cash goodwill impairment charge of \$117.9 million. Operating income for the radiology services medical group for the year ended December 31, 2018 was \$48.4 million.

#### *Divestiture of the Anesthesiology Services Medical Group*

On May 6, 2020, the Company entered into a securities purchase agreement with an affiliate of North American Partners in Anesthesia ("NAPA") to divest the Company's anesthesiology services medical group, and the transaction closed on May 6, 2020. Pursuant to the terms and conditions of the agreement, at the closing of the transaction, the Company received a cash payment of \$50.0 million, subject to certain customary adjustments, as well as a contingent economic interest in NAPA with a value ranging from \$0 to \$250 million based upon the multiple of invested capital returned to NAPA's owners upon exit of the investment. In addition, the Company retained the accounts receivable of the anesthesiology services medical group, which net of various other working capital items, approximated \$110.0 million at March 31, 2020. The operating results of the anesthesiology services medical group service line were reported as a component of discontinued operations, net of income taxes, in the Company's Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018. A single anesthesiology practice was not included in the divestiture of the anesthesiology services medical group and continues to operate as an affiliate of the Company. Its results of operations are not material.

The total loss on sale of the anesthesiology services medical group recorded during the year ended December 31, 2020 was \$663.7 million. Upon completion of a valuation for the contingent economic interest, which is expected to be completed in the first quarter of 2021, the Company will adjust the loss on sale as necessary. In addition, as a result of the sale, the Company currently estimates that it will generate an approximately \$1.71 billion capital loss carryforward that will expire in 2025. Based on management's determination that it is more likely than not that the tax benefits related to this loss carryforward will not be realized, the Company has provided an approximately \$430.0 million valuation allowance against this deferred tax asset as of December 31, 2020.

Loss from discontinued operations, net of income taxes, for the anesthesiology services medical group for the years ended December 31, 2020 and December 31, 2019 was \$717.2 million and \$1.12 billion, respectively.

Income from discontinued operations, net of income taxes, for the anesthesiology services medical group for the year ended December 31, 2018 was \$99.7 million. Net revenue for the anesthesiology services medical group for the years ended December 31, 2020, 2019 and 2018 was \$379.4 million, \$1.25 billion and \$1.29 billion, respectively. Operating loss for the anesthesiology services medical group for the year ended December 31, 2020 was \$716.3 million, including the loss on sale of \$663.7 million. Operating loss for the anesthesiology services medical group for the year ended December 31, 2019 was \$1.23 billion, including a non-cash goodwill impairment charge of \$1.33 billion. Operating income for the anesthesiology services medical group for the year ended December 31, 2018 was \$135.0 million.

*Divestiture of MedData*

In October 2019, the Company divested its management services organization, referred to as MedData. Loss from discontinued operations, net of tax, for MedData was \$347.6 million for the year ended December 31, 2019, reflecting the loss on sale recorded during the year ended December 31, 2019, as compared to income from discontinued operations, net of tax, of \$10.0 million for 2018.

During the year ended December 31, 2020, the Company recorded a net incremental loss on the sale of MedData of \$5.8 million, primarily for the finalization of certain transaction related expenses, a working capital true-up and incremental reserves related to indemnification matters, partially offset by the completion of its preliminary valuation for the contingent economic consideration.

**10. Accounts Payable and Accrued Expenses:**

Accounts payable and accrued expenses consist of the following (in thousands):

|   | <u>December 31,</u> |                  |
|---|---------------------|------------------|
|   | <u>2020</u>         | <u>2019</u>      |
| Accounts payable . . . . .                            | \$ 59,771           | \$ 35,410        |
| Accrued salaries and incentive compensation . . . . . | 184,849             | 193,631          |
| Accrued payroll taxes and benefits . . . . .          | 43,945              | 54,768           |
| Accrued professional liabilities . . . . .            | 50,607              | 44,699           |
| Accrued interest . . . . .                            | 32,721              | 32,910           |
| Other accrued expenses . . . . .                      | 51,264              | 49,219           |
|   | <u>\$423,157</u>    | <u>\$410,637</u> |

**11. Operating Leases:**

The Company adopted the new accounting guidance for leases on January 1, 2019 using the modified retrospective method of applying the new guidance at the adoption date. Beginning with January 1, 2019, the Company’s financial position is presented under the new guidance, while the prior period financial statements were not adjusted and continue to be reported in accordance with the previous guidance.

The Company primarily leases property under operating leases and has one material equipment operating lease for an aircraft. The Company’s property leases are primarily for its regional, medical and business offices, storage space and temporary housing for medical staff.

For leases with terms greater than 12 months, the Company records the related asset and obligation at the present value of the lease payment using a discount rate that reflects the Company’s estimated incremental borrowing rate. Certain of the Company’s leases include rental escalation clauses and renewal options that are factored into the determination of lease payments when appropriate. Operating leases for office equipment are not material, and therefore are excluded from the Company’s Consolidated Balance Sheet.

The table below presents the operating lease-related right-of-use assets and related liabilities recorded on the Company's balance sheet and the weighted average remaining lease term and discount rate as of December 31, 2020 and 2019 (dollars in thousands):

|  | <u>December 31,</u> |             |
|--|---------------------|-------------|
|  | <u>2020</u>         | <u>2019</u> |
| <b>Assets:</b>   |                     |             |
| Operating lease right-of-use assets . . . . .              | \$ 44,926           | \$ 56,413   |
| <b>Liabilities:</b>  |                     |             |
| Current portion of operating lease liabilities . . . . .   | 18,933              | 18,254      |
| Long-term portion of operating lease liabilities . . . . . | 40,970              | 44,643      |
| <b>Other Information:</b>                                  |                     |             |
| Weighted-average remaining lease term . . . . .            | 4.0 years           | 4.2 years   |
| Weighted average discount rate . . . . .                   | 5.0%                | 5.0%        |

The table below presents certain information related to the lease costs for operating leases during the years ended December 31, 2020 and 2019 (in thousands):

|                                       | <u>December 31,</u> |                 |
|---------------------------------------|---------------------|-----------------|
|                                       | <u>2020</u>         | <u>2019</u>     |
| Operating lease costs . . . . .       | \$20,972            | \$23,085        |
| Variable lease costs . . . . .        | 4,519               | 3,102           |
| Other equipment rent . . . . .        | 4,128               | 3,931           |
| Other operating lease costs . . . . . | 684                 | 933             |
| Total operating lease costs . . . . . | <u>\$30,303</u>     | <u>\$31,051</u> |

The table below presents supplemental cash flow information related to operating leases during the years ended December 31, 2020 and 2019 (in thousands):

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Operating cash flows for operating leases . . . . . | \$27,933                 | \$28,722                 |

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating lease liabilities recorded on the balance sheet as of December 31, 2020 (in thousands):

|  | <u>December 31, 2020</u> |
|--|--------------------------|
| 2021 . . . . .   | \$ 19,681                |
| 2022 . . . . .   | 16,584                   |
| 2023 . . . . .   | 12,397                   |
| 2024 . . . . .   | 8,125                    |
| 2025 . . . . .   | 4,063                    |
| Thereafter . . . . .                                     | <u>3,877</u>             |
| Total minimum lease payments . . . . .                   | 64,727                   |
| Less: Amount of payments representing interest . . . . . | <u>(4,824)</u>           |
| Present value of future minimum lease payments . . . . . | 59,903                   |
| Less: Current obligations . . . . .                      | <u>(18,933)</u>          |
| Long-term portion of operating leases . . . . .          | <u>\$ 40,970</u>         |

## 12. Accrued Professional Liabilities:

At December 31, 2020 and 2019, the Company's total accrued professional liabilities of \$315.9 million and \$249.6 million, respectively, included incurred but not reported loss reserves of \$222.9 million and \$187.6 million, respectively, and loss reserves for reported claims of \$93.0 million and \$84.2 million, respectively. Of the total liability, \$50.6 million is classified as a current liability within accounts payable and accrued expenses in the Consolidated Balance Sheet. In addition, there is a corresponding insurance receivable of \$61.4 million recorded as a component of other assets for certain professional liability claims that are covered by third-party insurance policies. These reserves include the accrued professional liabilities for the Company's continuing operations as reflected in the table below as well as certain retained professional liabilities related to the Company's former anesthesiology and radiology medical groups that were divested in 2020.

The activity related to the Company's accrued professional liability for continuing operations, excluding the retained professional liabilities related to the Company's former anesthesiology and radiology medical groups, for the years ended December 31, 2020, 2019, and 2018 is as follows (in thousands):

|   | Years Ended December 31, |                  |                  |
|---|--------------------------|------------------|------------------|
|   | 2020                     | 2019             | 2018             |
| Balance at beginning of year                  | \$151,397                | \$128,799        | \$138,643        |
| Liabilities recognized, offset by insurance   |                          |                  |                  |
| Receivable                                    | 3,922                    | 10,354           | —                |
| Provision (adjustment) for losses related to: |                          |                  |                  |
| Current year                                  | 45,674                   | 42,733           | 37,203           |
| Prior years                                   | (1,551)                  | (7,766)          | (7,087)          |
| Total provision for losses                    | 44,123                   | 34,967           | 30,116           |
| Claim payments related to:                    |                          |                  |                  |
| Current year                                  | (59)                     | (33)             | (50)             |
| Prior years                                   | (24,580)                 | (22,690)         | (39,910)         |
| Total payments                                | (24,639)                 | (22,723)         | (39,960)         |
| Balance at end of year                        | <u>\$174,803</u>         | <u>\$151,397</u> | <u>\$128,799</u> |

The net increases in the Company's total accrued professional liability for the years ended December 31, 2020 and 2019 were primarily related to overall unfavorable trends in the Company's claims experience that impacted its provision for losses.

## 13. Line of Credit, Long-Term Debt and Finance Lease Obligations:

On March 25, 2020, the Company amended and restated the Credit Agreement to, among other things, (i) establish a deemed Consolidated EBITDA of \$139.2 million for the second and third quarters of 2020, reflecting average Adjusted EBITDA from continuing operations for the prior eight quarters (calculated for purposes of the Credit Agreement), which will be used in the calculation of rolling four consecutive quarter Consolidated EBITDA under the Credit Agreement, (ii) temporarily increase the maximum consolidated net leverage ratio required to be maintained by the Company from 4.50:1:00 to 5.00:1:00 for the second and third quarters of 2020 and 4.75:1:00 for the fourth quarter of 2020, before returning to 4.50:1:00 for the first quarter of 2021 and beyond, (iii) require that the Company maintain minimum availability under the Credit Agreement of \$300.0 million through the third quarter of 2021, (iv) provide for a weekly repayment of borrowings under the Credit Agreement through the second quarter of 2021 using unrestricted cash on hand in excess of \$300.0 million, plus a reserve for certain payables, and (v) temporarily restrict the Company's ability to make restricted payments under the Credit Agreement for the remainder of 2020, subject to certain exceptions.

The Credit Agreement provides for a \$1.2 billion unsecured revolving credit facility, subject to the limitations discussed above, and includes a \$37.5 million sub-facility for the issuance of letters of credit. The

Credit Agreement matures on March 28, 2024 and is guaranteed by substantially all of the Company's subsidiaries and affiliated professional associations and corporations. At the Company's option, borrowings under the Credit Agreement will bear interest at (i) the alternate base rate (defined as the higher of (a) the prime rate, (b) the Federal Funds Rate plus 1/2 of 1.00% and (c) LIBOR for an interest period of one month plus 1.00%) plus an applicable margin rate ranging from 0.125% to 0.750% based on the Company's consolidated leverage ratio or (ii) the LIBOR rate plus an applicable margin rate ranging from 1.125% to 1.750% based on the Company's consolidated leverage ratio. The Credit Agreement also calls for other customary fees and charges, including an unused commitment fee ranging from 0.150% to 0.200% of the unused lending commitments, based on the Company's consolidated leverage ratio. The Credit Agreement contains customary covenants and restrictions, including covenants that requires the Company to maintain a minimum interest charge ratio, not to exceed a specified consolidated leverage ratio and to comply with laws, and restrictions on the ability of the Company to pay dividends and make certain other distributions, as specified therein. Failure to comply with these covenants would constitute an event of default under the Credit Agreement, notwithstanding the ability of the Company to meet its debt service obligations. The Credit Agreement also includes various customary remedies for the lenders following an event of default, including the acceleration of repayment of outstanding amounts under the Credit Agreement.

In December 2015, the Company completed a private offering of \$750.0 million aggregate principal amount of 2023 Notes. In November 2018, the Company completed a private offering of \$500.0 million aggregate principal amount of 2027 Notes and in February 2019, the Company completed a private offering of \$500.00 million aggregate principal amount of Additional 2027 Notes. At December 31, 2019, the outstanding balance on the 2027 Notes was \$1.0 billion. The Company's obligations under the 2023 Notes and the 2027 Notes are guaranteed on an unsecured senior basis by the same subsidiaries and affiliated professional contractors that guarantee the Credit Agreement. Interest on the 2023 Notes accrues at the rate of 5.25% per annum, or \$39.4 million, and is payable semi-annually in arrears on June 1 and December 1. Interest on the 2027 Notes accrues at the rate of 6.25% per annum, or \$62.5 million, and is payable semi-annually in arrears on January 15 and July 15.

As of December 31, 2020, the Company was able to redeem all or a portion of the 2023 Notes, at the redemption prices of 101.313% in 2020 and 100% in 2021 and thereafter, plus accrued and unpaid interest to the redemption date. The 2023 Notes were redeemed in full on January 7, 2021.

At any time prior to January 15, 2022, the Company may redeem all or a portion of the 2027 Notes at a redemption price equal to 100% of the principal amount of the notes being redeemed plus an applicable redemption premium and accrued and unpaid interest to the redemption date. In addition, at any time prior to January 15, 2022, the Company may redeem up to 35% of the aggregate principal amount of the 2027 Notes at a redemption price of 106.250% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, using proceeds from one or more equity offerings. On or after January 15, 2022, the Company may redeem all or a portion of the 2027 Notes, at the redemption prices of 104.688% in 2022, 103.125% in 2023, 101.563% in 2024 and 100% in 2025 and thereafter, plus accrued and unpaid interest to the redemption date.

The indenture under which the 2027 Notes are issued, among other things, limits our ability to (1) incur liens and (2) enter into sale and lease-back transactions, and also limits our ability to merge or dispose of all or substantially all of our assets, in all cases, subject to a number of customary exceptions. Although we are not required to make mandatory redemption or sinking fund payments with respect to the 2027 Notes, upon the occurrence of a change in control of Mednax, we may be required to repurchase the 2027 Notes at a purchase price equal to 101% of the aggregate principal amount of the 2027 Notes repurchased plus accrued and unpaid interest.

The carrying value of the Company's long-term debt was \$1.7 billion at December 31, 2020 and 2019 and consisted of the following (in thousands):

|                                | <b>December 31, 2020</b> |  |                    |
|--------------------------------|--------------------------|--|--------------------|
|                                | <b>Principal</b>         | <b>Unamortized<br/>Debt<br/>Issuance<br/>Costs</b> | <b>Total</b>       |
| Senior notes .....             | \$1,750,000              | \$(16,343)   | \$1,733,657        |
| Revolving line of credit ..... | —                        | (2,260)  | (2,260)            |
| Total .....                    | <u>\$1,750,000</u>       | <u>\$(18,603)</u>                                  | <u>\$1,731,397</u> |

|                                | <b>December 31, 2019</b> |  |                    |
|--------------------------------|--------------------------|--|--------------------|
|                                | <b>Principal</b>         | <b>Unamortized<br/>Debt<br/>Issuance<br/>Costs</b> | <b>Total</b>       |
| Senior notes .....             | \$1,750,000              | \$(19,762)   | \$1,730,238        |
| Revolving line of credit ..... | —                        | (2,664)  | (2,664)            |
| Total .....                    | <u>\$1,750,000</u>       | <u>\$(22,426)</u>                                  | <u>\$1,727,574</u> |

The Company presents issuance costs related to long-term debt liabilities, other than revolving credit arrangements, as a direct deduction from the carrying value of that long-term debt. The Company has one outstanding letter of credit which reduced the amount available under the Credit Agreement by \$0.1 million at December 31, 2020. At December 31, 2020, the Company had an available balance on its Credit Agreement of \$899.9 million, after giving effect to the temporary reduction of the capacity of its Credit Agreement through September 30, 2021.

The carrying values of the Company's variable rate revolving line of credit approximates fair value due to the short-term nature of the interest rates. The estimated fair value of the Company's 2023 Notes and 2027 Notes were estimated using trading prices as of December 31, 2020 and 2019, respectively, as Level 2 inputs to estimate fair value and are summarized as follows (in thousands):

|                  | <b>December 31,</b> |             |
|------------------|---------------------|-------------|
|                  | <b>2020</b>         | <b>2019</b> |
| 2023 Notes ..... | \$ 756,225          | \$ 766,875  |
| 2027 Notes ..... | 1,070,000           | 1,025,600   |

The Company's finance lease obligations, related to equipment used in its newborn hearing screen program, consist of the following (in thousands):

|                                 | <b>December 31,</b> |             |
|---------------------------------|---------------------|-------------|
|                                 | <b>2020</b>         | <b>2019</b> |
| Finance lease obligations ..... | \$11,118            | \$—         |
| Less: Current portion .....     | (2,219)             | —           |
| Long-term portion .....         | <u>\$ 8,899</u>     | <u>\$—</u>  |



#### 14. Income Taxes:

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

|                | December 31,     |                  |                  |
|----------------|------------------|------------------|------------------|
|                | 2020             | 2019             | 2018             |
| Federal:       |                  |                  |                  |
| Current .....  | \$(16,610)       | \$ 63,697        | \$ 65,403        |
| Deferred ..... | 28,719           | (45,660)         | (29,667)         |
|                | <u>12,109</u>    | <u>18,037</u>    | <u>35,736</u>    |
| State:         |                  |                  |                  |
| Current .....  | (2,954)          | 8,561            | 15,185           |
| Deferred ..... | 7,573            | (10,022)         | (6,227)          |
|                | <u>4,619</u>     | <u>(1,461)</u>   | <u>8,958</u>     |
| Total .....    | <u>\$ 16,728</u> | <u>\$ 16,576</u> | <u>\$ 44,694</u> |

The Company files its tax return on a consolidated basis with its subsidiaries, and its affiliated professional contractors file tax returns on an individual basis.

The effective tax rate for continuing operations was 234.0%, 28.2% and 26.9% for the years ended December 31, 2020, 2019 and 2018, respectively. The increase in the effective tax rate for the year ended December 31, 2020 as compared to the years ended December 31, 2019 and 2018 was due to a significant reduction in pre-tax income as a result of the impacts from the transformational and restructuring related expenses and COVID-19.

The differences between the effective rate and the United States federal income tax statutory rate are as follows:

|   | December 31,   |               |               |
|---|----------------|---------------|---------------|
|   | 2020           | 2019          | 2018          |
| Tax at statutory rate .....   | 21.00%         | 21.00%        | 21.00%        |
| State income tax, net of federal benefit .....                        | 24.34          | 6.45          | 4.41          |
| Non-deductible expenses .....   | 60.44          | 3.98          | 0.85          |
| Equity compensation adjustments .....                                 | 98.61          | 6.45          | 0.78          |
| Change in accrual estimates relating to uncertain tax positions ..... | 4.22           | (9.63)        | (0.84)        |
| Change in valuation allowance .....                                   | 23.67          | 0.39          | —             |
| Other, net .....  | 1.71           | (0.45)        | 1.42          |
| Change in tax law .....   | —              | —             | (0.71)        |
| Income tax provision .....  | <u>233.99%</u> | <u>28.19%</u> | <u>26.91%</u> |

All of the Company's deferred tax assets and liabilities are classified as long-term. The significant components of deferred income tax assets and liabilities are as follows (in thousands):

|   | December 31, |            |
|---|--------------|------------|
|   | 2020         | 2019       |
| Allowance for uncollectible accounts .....            | \$ 79,755    | \$ 170,123 |
| Reserves and accruals .....                           | 64,445       | 54,685     |
| Stock-based compensation .....                        | 7,517        | 11,493     |
| Operating loss and other carryforwards .....          | 16,767       | 6,691      |
| Capital loss carryforwards .....                      | 447,854      | 17,082     |
| Operating lease assets .....                          | 15,042       | 15,389     |
| Property and equipment .....                          | 3,044        | 3,986      |
| Other .....   | 571          | —          |
| Deferred tax assets before valuation allowance .....  | 634,995      | 279,449    |
| Less: Valuation allowance .....                       | (458,708)    | (19,286)   |
| Deferred tax assets, net of valuation allowance ..... | 176,287      | 260,163    |
| Gross deferred tax liabilities:                       |              |            |
| Amortization .....                                    | (152,969)    | (144,587)  |
| Accounting method changes .....                       | (16,352)     | (71,532)   |
| Operating lease liabilities .....                     | (14,057)     | (13,405)   |
| Other .....   | (183)        | (463)      |
| Total deferred tax liabilities .....                  | (183,561)    | (229,987)  |
| Net deferred tax (liabilities) assets .....           | \$ (7,274)   | \$ 30,176  |

The Company's net deferred tax liabilities were \$7.3 million as of December 31, 2020, as compared to net deferred tax assets of \$30.2 million at December 31, 2019. The increase in net deferred tax liabilities of \$37.5 million during the year ended December 31, 2020 was primarily related to a decrease in deferred tax assets related to allowance for uncollectible accounts partially offset by decrease in deferred tax liabilities for accounting method changes.

For the years ended December 31, 2020, 2019 and 2018, income tax expense of \$7.1 million, \$3.8 million and \$1.3 million, respectively, was recognized for excess tax deficiencies.

For the year ended December 31, 2020, the Company estimates that it will generate a \$1.7 billion capital loss, from the sale of its anesthesiology services medical group, which will expire in 2025. Total capital loss carryforwards as of December 31, 2020 was \$1.8 billion. As of December 31, 2020, management has determined that it is more likely than not that the tax benefits related to these carryforwards will not be realized and has recorded a full valuation allowance against the related deferred tax assets. Additionally, the Company has net operating loss carryforwards for federal and state tax purposes totaling \$35.4 million, \$31.5 million and \$27.8 million at December 31, 2020, 2019 and 2018, respectively. With respect to the December 31, 2020 balance, \$22.3 million expires at various times from 2022 through 2040, and \$13.1 million does not expire.

As of December 31, 2020, 2019 and 2018, the Company's liability for uncertain tax positions, excluding accrued interest and penalties, was \$6.2 million, \$7.4 million and \$11.2 million, respectively. As of December 31, 2020, the Company had \$6.2 million of uncertain tax positions that, if recognized, would favorably impact its effective tax rate.

The following table summarizes the activity related to the Company’s liability for uncertain tax positions for the years ended December 31, 2020, 2019 and 2018 (in thousands):

|  | <b>Years Ended December 31,</b> |                 |                 |
|--|---------------------------------|-----------------|-----------------|
|  | <b>2020</b>                     | <b>2019</b>     | <b>2018</b>     |
| Balance at beginning of year . . . . .                         | \$ 7,409                        | \$11,185        | \$10,972        |
| Increases related to prior year tax positions . . . . .        | —                               | 369             | 385             |
| Decreases related to prior year tax positions . . . . .        | (1,041)                         | —               | —               |
| Increases related to current year tax positions . . . . .      | 100                             | 1,700           | 2,900           |
| Decreases related to divestitures . . . . .                    | (300)                           | —               | —               |
| Decreases related to lapse of statutes of limitation . . . . . | —                               | (5,845)         | (3,072)         |
| Balance at end of year . . . . .                               | <u>\$ 6,168</u>                 | <u>\$ 7,409</u> | <u>\$11,185</u> |

During the year ended December 31, 2020, the Company decreased its liability for uncertain tax positions by \$1.2 million, primarily related to a reduction in tax liability for prior year positions. During the year ended December 31, 2019, the Company decreased its liability for uncertain tax positions by \$3.8 million, primarily related to expiration of statutes of limitation, partially offset by additional taxes on current and prior year positions. In addition, the Company anticipates that its liability for uncertain tax positions will decrease by \$1.1 million over the next 12 months.

The Company includes interest and penalties related to income tax liabilities in income tax expense. During the year ended December 31, 2020, the Company included \$0.5 million of interest and penalties in income tax expense. The impact to income tax expense related to penalties and interest was not material during the years ended December 31, 2019 and 2018. At December 31, 2020 and 2019, the Company’s accrued liability for interest and penalties related to income tax liabilities totaled \$1.0 million and \$0.6 million, respectively.

The Company is currently subject to U.S. Federal and various state income tax examinations for the tax years 2015 through 2019.

**15. Common and Common Equivalent Shares:**

The calculation of shares used in the basic and diluted net income per share calculation for the years ended December 31, 2020, 2019, and 2018 is as follows (in thousands):

|   | <b>Years Ended December 31,</b> |               |               |
|---|---------------------------------|---------------|---------------|
|   | <b>2020</b>                     | <b>2019</b>   | <b>2018</b>   |
| Weighted average number of common shares outstanding . . .  | 83,395                          | 83,495        | 91,104        |
| Weighted average number of dilutive common share equivalents <sup>(a)</sup> . . . . .                 | —                               | 516           | 502           |
| Weighted average number of common and common equivalent shares outstanding . . . . .                  | <u>83,395</u>                   | <u>84,011</u> | <u>91,606</u> |
| Antidilutive securities not included in the diluted net income per common share calculation . . . . . | <u>1,034</u>                    | <u>516</u>    | <u>214</u>    |

<sup>(a)</sup> Due to a loss from continuing operations for the year ended December 31, 2020, no incremental shares are included because the effect would be antidilutive.

**16. Stock Incentive Plans and Stock Purchase Plans:**

The Company’s Amended and Restated 2008 Incentive Compensation Plan (the “A&R 2008 Incentive Plan”) provides for grants of stock options, stock appreciation rights, restricted stock, deferred stock, and other stock-related awards and performance awards that may be settled in cash, stock or other property.

Under the A&R 2008 Incentive Plan, options to purchase shares of common stock may be granted 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 and generally become exercisable on a pro rata basis over a three-year period from the date of grant. The Company issues new shares of its common stock upon exercise of its stock options. Restricted stock awards generally vest over periods of three years upon the fulfillment of specified service-based conditions and in certain instances performance-based conditions. Deferred stock awards generally vest upon the satisfaction of specified performance-based conditions and service-based conditions. The Company recognizes compensation expense related to its restricted stock, deferred stock awards and stock options ratably over the corresponding vesting periods. At December 31, 2020, the Company had 5.0 million shares available for future grants and awards under its Amended and Restated 2008 Incentive Plan.

Under the Company's 1996 Non-Qualified Employee Stock Purchase Plan, as amended (the "ESPP"), employees are permitted to purchase the Company's common stock at 85% of market value on January 1st, April 1st, July 1st and October 1st of each year. Under the Company's 2015 Non-Qualified Stock Purchase Plan (the "SPP"), certain eligible non-employee service providers are permitted to purchase the Company's common stock at 90% of market value on January 1st, April 1st, July 1st and October 1st of each year.

Each of the ESPP and the SPP provide for the issuance of an aggregate of 2.6 million shares of the Company's common stock less the number of shares of common stock purchased under the other plan. The Company recognizes stock-based compensation expense for the discount received by participating employees and non-employee service providers. During the year ended December 31, 2020, 0.5 million shares in the aggregate were issued under the ESPP and SPP. At December 31, 2020, the Company had approximately 0.5 million shares in the aggregate reserved for issuance under the ESPP and SPP.

The Company recognized \$21.1 million, \$33.4 million and \$36.4 million of stock-based compensation expense related to its stock incentive plans, the ESPP and the SPP during the years ended December 31, 2020, 2019 and 2018, respectively.

The activity related to the Company's restricted stock and deferred stock awards and the corresponding weighted average grant-date fair values for the year ended December 31, 2020 are as follows:

|  | <u>Number of<br/>Shares</u> | <u>Weighted<br/>Average Fair<br/>Value</u> |
|--|-----------------------------|--|
| Non-vested shares at January 1, 2020 . . . . .   | 1,723,115                   | \$40.77                                    |
| Awarded . . . . .                                | 1,361,712                   | \$23.54                                    |
| Forfeited . . . . .                              | (173,455)                   | \$31.68                                    |
| Vested . . . . .                                 | <u>(1,700,255)</u>          | \$34.88                                    |
| Non-vested shares at December 31, 2020 . . . . . | <u>1,211,117</u>            | \$30.97                                    |

The aggregate fair value of the restricted and deferred stock that vested during the years ended December 31, 2020, 2019 and 2018 was \$59.3 million, \$31.5 million and \$27.4 million, respectively.

The weighted average grant-date fair value of restricted and deferred stock awards that were granted during the years ended December 31, 2020, 2019 and 2018 was \$23.54, \$33.28 and \$51.99, respectively.

At December 31, 2020, the total stock-based compensation cost related to non-vested restricted and deferred stock remaining to be recognized as compensation expense over a weighted-average period of 1.8 years was \$11.6 million.

The Company granted various performance-based stock options during the year ended December 31, 2020 with vesting dependent on both continued employment and the achievement of various stock price hurdles over a

period of three years. The Company used a Monte Carlo simulation analysis to estimate the fair value of each stock option on the date of grant during 2020. The Monte Carlo simulation uses a series of functions that define a range of possibilities, or probability density functions and repeatedly samples from the ranges of those possibilities. Finally, the model calculates and sums the weighted average results of all the iterations. The weighted average grant date fair value for the stock options granted in 2020 was \$5.21. The key assumptions used in the Monte Carlo simulation analysis were expected volatility of 50%, expected term of three years and a discount rate using the three year U.S. Treasury bond rate.

The activity and certain other information related to the Company's outstanding stock option awards for the year ended December 31, 2020 are as follows:

|  | <u>Number of<br/>Stock Options</u> | <u>Weighted<br/>Average<br/>Exercise<br/>Price</u> | <u>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Term<br/>(in years)</u> | <u>Aggregate<br/>Intrinsic<br/>Value<br/>(in millions)</u> |
|--|------------------------------------|--|---|--|
| Outstanding at January 1, 2020 . . . . .   | 72,808                             | \$32.49  |   |  |
| Awarded . . . . .                          | 982,731                            | \$16.99  |   |  |
| Expired . . . . .                          | (56,248)                           | \$31.39  |   | —  |
| Outstanding at December 31, 2020 . . . . . | <u>999,291</u>                     | \$17.30  | <u>2.58</u>   | <u>\$ 7.4</u>  |
| Exercisable at December 31, 2020 . . . . . | <u>16,560</u>                      | \$36.25  | <u>0.34</u>   | —  |

The aggregate intrinsic value of stock options exercised during the years ended December 31, 2019 and 2018 were \$0.6 million and \$2.8 million, respectively.

At December 31, 2020, the total stock-based compensation related to non-vested stock options remaining to be recognized as compensation expense over a weighted average period of approximately 2.6 years was \$4.3 million.

The cash proceeds received from the exercise of stock options for the years ended December 31, 2019 and 2018 were \$0.1 million and \$3.7 million, respectively.

#### **17. Common Stock Repurchase Programs:**

In July 2013, the Company's Board of Directors authorized the repurchase of shares of the Company's common stock up to an amount sufficient to offset the dilutive impact from the issuance of shares under the Company's equity compensation programs. The share repurchase program allows the Company to make open market purchases from time-to-time based on general economic and market conditions and trading restrictions. The repurchase program also allows for the repurchase of shares of the Company's common stock to offset the dilutive impact from the issuance of shares, if any, related to the Company's acquisition program. No shares were purchased under this program during the year ended December 31, 2020.

In August 2018, the Company announced that its Board of Directors had authorized the repurchase of up to \$500.0 million of the Company's common stock in addition to its existing share repurchase program, of which \$107.2 million remained available for repurchase as of January 1, 2020. Under this share repurchase program, during the twelve months ended December 31, 2020, the Company repurchased 0.5 million shares of its common stock for \$8.5 million to satisfy minimum statutory withholding obligations in connection with the vesting of restricted stock.

During the year ended December 31, 2019, the Company repurchased approximately 5.1 million shares of its common stock for \$145.3 million, inclusive of 96,918 shares withheld to satisfy minimum statutory withholding obligations of \$2.5 million in connection with the vesting of restricted stock during the year ended December 31, 2019.

The Company intends to utilize various methods to effect any future share repurchases, including, among others, open market purchases and accelerated share repurchase programs. The amount and timing of repurchases will depend upon several factors, including general economic and market conditions and trading restrictions.

#### **18. Retirement Plans:**

The Company maintains three qualified contributory savings plans as allowed under Section 401(k) of the Internal Revenue Code and Section 1165(e) of the Puerto Rico Income Tax Act of 1954 (the “401(k) Plans”). The 401(k) Plans permit participant contributions and allow elective and, in certain situations, non-elective Company contributions based on each participant’s contribution or a specified percentage of eligible wages. Participants may defer a percentage of their annual compensation subject to the limits defined in the 401(k) Plans. The Company recorded expense for its continuing operations of \$19.9 million, \$20.4 million and \$24.9 million for the years ended December 31, 2020, 2019 and 2018, respectively, primarily related to the 401(k) Plans.

#### **19. Commitments and Contingencies:**

The Company expects that audits, inquiries and investigations from government authorities and agencies will occur in the ordinary course of business. Such audits, inquiries and investigations and their ultimate resolutions, individually or in the aggregate, could have a material adverse effect on the Company’s business, financial condition, results of operations, cash flows and the trading price of its securities. The Company has not included an accrual for these matters as of December 31, 2020 in its Consolidated Financial Statements, as the variables affecting any potential eventual liability depend on the currently unknown facts and circumstances that arise out of, and are specific to, any particular future audit, inquiry and investigation and cannot be reasonably estimated at this time.

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

Although the Company currently maintains liability insurance coverage intended to cover professional liability and certain other claims, the Company cannot assure that its insurance coverage will be adequate to cover liabilities arising out of claims asserted against it in the future where the outcomes of such claims are unfavorable. With respect to professional liability risk, the Company generally self-insures a portion of this risk through its wholly owned captive insurance subsidiary. Liabilities in excess of the Company’s insurance coverage, including coverage for professional liability and certain other claims, could have a material adverse effect on the Company’s business, financial condition, results of operations, cash flows and the trading price of its securities.

## 20. Selected Quarterly Financial Information (Unaudited):

The following tables set forth a summary of the Company's selected quarterly financial information for each of the four quarters ended December 31, 2020 and 2019 (in thousands, except for per share data):

|  | 2020 Quarters |              |             |             |
|--|---------------|--------------|-------------|-------------|
|  | First         | Second       | Third       | Fourth      |
| Net revenue  | \$441,245     | \$ 415,441   | \$460,635   | \$416,630   |
| Operating expenses:  |               |              |             |             |
| Practice salaries and benefits                               | 316,279       | 282,985      | 309,904     | 284,772     |
| Practice supplies and other operating expenses               | 23,842        | 20,173       | 22,440      | 24,235      |
| General and administrative expenses                          | 67,442        | 60,488       | 66,346      | 54,671      |
| Depreciation and amortization                                | 6,803         | 6,751        | 7,195       | 7,692       |
| Transformational and restructuring related expenses          | 16,076        | 10,479       | 34,291      | 12,955      |
| Total operating expenses                                     | 430,442       | 380,876      | 440,176     | 384,325     |
| Income from operations                                       | 10,803        | 34,565       | 20,459      | 32,305      |
| Investment and other (expense) income                        | (1,046)       | 3,576        | 10,534      | 4,849       |
| Interest expense   | (27,665)      | (28,265)     | (27,250)    | (27,302)    |
| Equity in earnings of unconsolidated affiliates              | 494           | 305          | 282         | 504         |
| Total non-operating expenses                                 | (28,217)      | (24,384)     | (16,434)    | (21,949)    |
| (Loss) income from continuing operations before income taxes | (17,414)      | 10,181       | 4,025       | 10,356      |
| Income tax provision   | (1,085)       | (3,097)      | (6,677)     | (5,869)     |
| (Loss) income from continuing operations                     | (18,499)      | 7,084        | (2,652)     | 4,487       |
| Loss from discontinued operations, net of tax                | (213)         | (679,520)    | (38,392)    | (68,783)    |
| Net loss   | \$ (18,712)   | \$ (672,436) | \$ (41,044) | \$ (64,296) |
| Per common and common equivalent share data (1):             |               |              |             |             |
| (Loss) income from continuing operations:                    |               |              |             |             |
| Basic  | \$ (0.22)     | \$ 0.08      | \$ (0.03)   | \$ 0.05     |
| Diluted  | \$ (0.22)     | \$ 0.08      | \$ (0.03)   | \$ 0.05     |
| Loss from discontinued operations:                           |               |              |             |             |
| Basic  | \$ —          | \$ (8.14)    | \$ (0.46)   | \$ (0.81)   |
| Diluted  | \$ —          | \$ (8.11)    | \$ (0.46)   | \$ (0.81)   |
| Net loss:  |               |              |             |             |
| Basic  | \$ (0.22)     | \$ (8.06)    | \$ (0.49)   | \$ (0.76)   |
| Diluted  | \$ (0.22)     | \$ (8.03)    | \$ (0.49)   | \$ (0.76)   |
| Weighted average common shares:                              |               |              |             |             |
| Basic  | 82,799        | 83,490       | 83,862      | 84,316      |
| Diluted  | 82,799        | 83,744       | 83,862      | 85,082      |

(1) Basic and diluted per share amounts are computed for each of the periods presented. Accordingly, the sum of the quarterly per share amounts may not agree with the full year amount.

|   | 2019 Quarters       |                   |                       |                  |
|---|---------------------|-------------------|-----------------------|------------------|
|   | First               | Second            | Third                 | Fourth           |
| Net revenue   | \$ 427,092          | \$439,154         | \$ 454,913            | \$458,600        |
| Operating expenses:                                   |                     |                   |                       |                  |
| Practice salaries and benefits                        | 294,753             | 284,627           | 301,306               | 300,073          |
| Practice supplies and other operating expenses        | 24,705              | 25,402            | 22,581                | 23,223           |
| General and administrative expenses                   | 59,023              | 63,011            | 63,284                | 59,194           |
| Depreciation and amortization                         | 6,183               | 6,239             | 6,408                 | 7,101            |
| Transformational and restructuring related expenses   | 2,439               | 16,820            | 12,766                | 28,865           |
| Total operating expenses                              | 387,103             | 396,099           | 406,345               | 418,456          |
| Income from operations                                | 39,989              | 43,055            | 48,568                | 40,144           |
| Investment and other income                           | 1,249               | 726               | 802                   | 909              |
| Interest expense                                      | (30,349)            | (31,013)          | (29,909)              | (27,657)         |
| Equity in earnings of unconsolidated affiliates       | 464                 | 503               | 786                   | 517              |
| Total non-operating expenses                          | (28,636)            | (29,784)          | (28,321)              | (26,231)         |
| Income from continuing operations before income taxes | 11,353              | 13,271            | 20,247                | 13,913           |
| Income tax benefit (provision)                        | 1,514               | (6,744)           | (7,360)               | (3,986)          |
| Income from continuing operations                     | 12,867              | 6,527             | 12,887                | 9,927            |
| Loss from discontinued operations, net of tax         | (255,739)           | (14,772)          | (1,268,803)           | (596)            |
| Net (loss) income                                     | <u>\$ (242,872)</u> | <u>\$ (8,245)</u> | <u>\$ (1,255,916)</u> | <u>\$ 9,331</u>  |
| Per common and common equivalent share data (1):      |                     |                   |                       |                  |
| Income from continuing operations:                    |                     |                   |                       |                  |
| Basic   | <u>\$ 0.15</u>      | <u>\$ 0.08</u>    | <u>\$ 0.16</u>        | <u>\$ 0.12</u>   |
| Diluted   | <u>\$ 0.15</u>      | <u>\$ 0.08</u>    | <u>\$ 0.16</u>        | <u>\$ 0.12</u>   |
| Loss from discontinued operations:                    |                     |                   |                       |                  |
| Basic   | <u>\$ (2.97)</u>    | <u>\$ (0.18)</u>  | <u>\$ (15.39)</u>     | <u>\$ (0.01)</u> |
| Diluted   | <u>\$ (2.96)</u>    | <u>\$ (0.18)</u>  | <u>\$ (15.31)</u>     | <u>\$ (0.01)</u> |
| Net (loss) income:                                    |                     |                   |                       |                  |
| Basic   | <u>\$ (2.82)</u>    | <u>\$ (0.10)</u>  | <u>\$ (15.23)</u>     | <u>\$ 0.11</u>   |
| Diluted   | <u>\$ (2.81)</u>    | <u>\$ (0.10)</u>  | <u>\$ (15.15)</u>     | <u>\$ 0.11</u>   |
| Weighted average common shares:                       |                     |                   |                       |                  |
| Basic   | <u>86,073</u>       | <u>83,234</u>     | <u>82,441</u>         | <u>82,592</u>    |
| Diluted   | <u>86,545</u>       | <u>83,689</u>     | <u>82,883</u>         | <u>83,288</u>    |

(2) Basic and diluted per share amounts are computed for each of the periods presented. Accordingly, the sum of the quarterly per share amounts may not agree with the full year amount.



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

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

#### **Management’s Annual Report on Internal Control Over Financial Reporting**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended. The Company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the Company’s financial statements.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements prepared for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of the end of the period covered by this report. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in “Internal Control—Integrated Framework (2013).” Based on our assessment we concluded that, as of the end of the period covered by this report, the Company’s internal control over financial reporting was effective based on those criteria.

The Company’s independent registered certified public accounting firm, PricewaterhouseCoopers LLP, has audited our internal control over financial reporting as of December 31, 2020 as stated in their report which appears in this Annual Report on Form 10-K.

#### **Changes in Internal Control Over Financial Reporting**

No change in our internal control over financial reporting occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### **ITEM 9B. OTHER INFORMATION**

We have scheduled the Company’s 2021 annual meeting of shareholders (the “2021 Annual Meeting”) for May 12, 2021. The time and location of the 2021 Annual Meeting will be specified in the Company’s notice and

proxy statement for the 2021 Annual Meeting. In accordance with Rule 14a-5(f) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), we are informing shareholders of the Company that those shareholders who wish to have a proposal considered for inclusion in the Company’s proxy materials for the 2021 Annual Meeting pursuant to Rule 14a-8 under the Exchange Act must ensure that such proposal is received by the Company’s Secretary at Mednax, Inc., 1301 Concord Terrace, Sunrise, Florida 33323, on or prior to March 10, 2021, which the Company has determined to be a reasonable time before it expects to begin to print and send notice of its proxy materials. Any such proposal must also meet the requirements set forth in the rules and regulations of the SEC in order to be eligible for inclusion in the proxy materials for the 2021 Annual Meeting.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated by reference to the applicable information in the definitive proxy statement for our 2021 Annual Meeting of Shareholders, which is to be filed with the SEC within 120 days after our fiscal year end.

#### ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the applicable information in the definitive proxy statement for our 2021 Annual Meeting of Shareholders, which is to be filed with the SEC within 120 days after our fiscal year end.

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

##### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of December 31, 2020, with respect to shares of our common stock that may be issued under existing equity compensation plans, including our Amended and Restated 2008 Incentive Compensation Plan (the “Amended and Restated 2008 Incentive Plan”), our ESPP and our SPP.

| <u>Plan Category</u>   | <u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u> | <u>Weighted-average exercise price of outstanding options, warrants and rights</u> | <u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u> |
|--|--|--|--|
|  | (a)  | (b)  | (c)  |
| Equity compensation plans approved by security holders . . . . .     | 16,560(1)  | \$36.25  | 5,563,272(2)   |
| Equity compensation plans not approved by security holders . . . . . | N/A  | N/A  | N/A  |
| Total . . . . .  | <u>16,560</u>  | <u>\$36.25</u>   | <u>5,563,272</u>   |

- (1) All shares are issuable under the Amended and Restated 2008 Incentive Plan.
- (2) Under the Amended and Restated 2008 Incentive Plan, 5,018,358 shares remain available for future issuance, and under the ESPP and the SPP, an aggregate of 544,914 shares remain available for future issuance.

The remaining information required by this Item is incorporated by reference to the applicable information in the definitive proxy statement for our 2021 Annual Meeting of Shareholders, which is to be filed with the SEC within 120 days after our fiscal year end.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to the applicable information in the definitive proxy statement for our 2021 Annual Meeting of Shareholders, which is to be filed with the SEC within 120 days after our fiscal year end.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this Item is incorporated by reference to the applicable information in the definitive proxy statement for our 2021 Annual Meeting of Shareholders, which is to be filed with the SEC within 120 days after our fiscal year end.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

#### (a)(1) Financial Statements

The information required by this Item is included in Item 8 of Part II of this Form 10-K.

#### (a)(2) Financial Statement Schedule

The following financial statement schedule for the years ended December 31, 2020, 2019 and 2018, is included in this Form 10-K as set forth below (in thousands).

#### Mednax, Inc. Schedule II: Valuation and Qualifying Accounts

|  | Years Ended December 31, |             |             |
|--|--------------------------|-------------|-------------|
|  | 2020                     | 2019        | 2018        |
| Allowance for contractual adjustments and uncollectibles:                            |                          |             |             |
| Balance at beginning of year .....   | \$ 746,388               | \$ 750,115  | \$ 641,878  |
| Amount charged against operating revenue .....                                       | 4,776,447                | 4,760,204   | 4,459,543   |
| Accounts receivable contractual adjustments and write-offs (net of recoveries) ..... | (4,730,993)              | (4,763,931) | (4,351,306) |
| Balance at end of year .....   | \$ 791,842               | \$ 746,388  | \$ 750,115  |

All other schedules have been omitted because they are not applicable, not required or the information is included elsewhere herein.

#### (a)(3) Exhibits

See Item 15(b) of this Form 10-K.

#### (b) Exhibits

- 2.1 Agreement and Plan of Merger, dated as of December 29, 2008, between Mednax, Inc., Pediatrix Medical Group, Inc. and PMG Merger Sub, Inc. (incorporated by reference to Exhibit 2.1 to Mednax's Current Report on Form 8-K12B, dated January 2, 2009).
- 2.2 Securities Purchase Agreement, dated October 10, 2019, by and between Mednax Services, Inc. and FH MD Buyer, Inc. (incorporated by reference to Exhibit 2.1 to Mednax's Current Report on Form 8-K, filed on October 10, 2019).\*\*
- 2.3 Securities Purchase Agreement, dated as of May 6, 2020, by and between Mednax Services, Inc. and NMSC II, LLC (incorporated by reference to Exhibit 2.1 to Mednax's Current Report on Form 8-K filed on May 12, 2020).\*\*
- 2.4 Securities Purchase Agreement, dated as of September 9, 2020, by and between Mednax Services, Inc. and Radiology Partners, Inc. (incorporated by reference to Exhibit 2.1 to Mednax's Current Report on Form 8-K filed on September 15, 2020).\*\*
- 3.1 Composite Articles of Incorporation of Mednax, Inc. (incorporated by reference to Exhibit 3.1 to Mednax's Annual Report on Form 10-K for the period ended December 31, 2013).
- 3.2 Amended and Restated By-laws of Mednax, Inc. (incorporated by reference to Exhibit 3.1 to Mednax's Current Report on Form 8-K dated November 6, 2018).

- 4.1 Form of 5.25% Senior Notes due 2023 (incorporated by reference to Exhibit A of the First Supplemental Indenture filed as Exhibit 4.3 to Mednax's Current Report on Form 8-K dated December 8, 2015).
- 4.2 Form of 6.25% Senior Notes due 2027 (incorporated by reference to Exhibit A of the Fifth Supplemental Indenture filed as Exhibit 4.3 to Mednax's Current Report on Form 8-K dated November 13, 2018).
- 4.3 Indenture, dated as of December 8, 2015, by and between Mednax, Inc. and U.S. Bank National Association, as Trustee. (incorporated by reference to Exhibit 4.2 to Mednax's Current Report on Form 8-K dated December 8, 2015).
- 4.4 First Supplemental Indenture dated as of December 8, 2015 to the Indenture, dated as of December 8, 2015, by and among Mednax, Inc., certain of its subsidiaries and U.S. Bank National Association, as Trustee. (incorporated by reference to Exhibit 4.3 to Mednax's Current Report on Form 8-K dated December 8, 2015).
- 4.5 Second Supplemental Indenture dated as of March 30, 2017 to the Indenture, dated as of December 8, 2015, by and among Mednax, Inc., certain of its subsidiaries and U.S. Bank National Association, as Trustee. (incorporated by reference to Exhibit 10.4 to Mednax's Annual Report on Form 10-K for the period ended December 31, 2017).
- 4.6 Third Supplemental Indenture dated as of November 9, 2017 to the Indenture, dated as of December 8, 2015, by and among Mednax, Inc., certain of its subsidiaries and U.S. Bank National Association, as Trustee. (incorporated by reference to Exhibit 10.5 to Mednax's Annual Report on Form 10-K for the year ended December 31, 2017).
- 4.7 Fourth Supplemental Indenture dated as of November 13, 2018 to the Indenture, dated as of December 8, 2015, by and among Mednax, Inc., certain of its subsidiaries and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 10.7 to Mednax's Annual Report on Form 10-K for the year ended December 31, 2018).
- 4.8 Fifth Supplemental Indenture dated as of November 13, 2018 to Indenture, dated as of December 8, 2015, by and among Mednax, Inc., certain of its subsidiaries and U.S. Bank National Association, as Trustee. (incorporated by reference to Exhibit 4.3 to Mednax's Current Report on Form 8-K dated November 13, 2018).
- 4.9 Sixth Supplemental Indenture dated as of February 21, 2019 to the Indenture, dated as of December 8, 2015, by and among Mednax, Inc., certain of its subsidiaries and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 10.2 to Mednax's Quarterly Report on Form 10-Q for the period ended March 31, 2019).
- 4.10 Description of Securities of Mednax, Inc. (incorporated by reference to Exhibit 4.10 to Mednax's Annual Report on Form 10-K for the period ended December 31, 2019).
- 10.1 Credit Agreement, dated as of October 30, 2017, among Mednax, Inc., certain of its domestic subsidiaries from time to time party thereto as Guarantors, the Lender parties thereto, JPMorgan Chase Bank, N.A. as Administrative Agent and Bank of America, N.A., Fifth Third Bank, Mizuho Bank, Ltd., SunTrust Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd., and Wells Fargo Bank, National Association as Syndication Agents, and BBVA Compass, Citizens Bank, N.A., PNC Bank, Regions Bank, and U.S. Bank National Association, as Senior Documentation Agents and BB&T as Documentation Agent. JPMorgan Chase Bank, N.A, Fifth Third Bank, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mizuho Bank, Ltd., SunTrust Robinson Humphrey, Inc., The Bank of Tokyo-Mitsubishi UFJ, Ltd., and Wells Fargo Securities, LLC, acted as Joint Lead Arrangers and Joint Bookrunners. (incorporated by reference to Exhibit 10.1 to Mednax's Quarterly Report on Form 10-Q for the period ended September 30, 2017).

- 10.2 Amendment No. 1, dated as of November 21, 2018, to the Credit Agreement, dated as of October 30, 2017, among Mednax, Inc. certain of its domestic subsidiaries from time to time party thereto as Guarantors, the Lenders parties thereto and JPMorgan Chase Bank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.10 to Mednax’s Annual Report on Form 10-K for the year ended December 31, 2018).
- 10.3 Amendment No. 2, dated as of March 28, 2019, to the Credit Agreement, dated as of October 30, 2017, among Mednax, Inc., certain of its domestic subsidiaries from time to time party thereto as Guarantors, the Lenders parties thereto, and JPMorgan Chase Bank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.1 to Mednax’s Quarterly Report on Form 10-Q for the period ended March 31, 2019).
- 10.4 Amendment No.3, dated as of March 25, 2020, to the Credit Agreement, dated as of October 30, 2017, among Mednax, Inc., certain of its domestic subsidiaries from time to time party thereto as Guarantors, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent. (incorporated by reference to Exhibit 10.1 to Mednax’s Quarterly Report on Form 10-Q for the period ended March 31, 2020).
- 10.5 Amended and Restated Mednax, Inc. 1996 Non-Qualified Employee Stock Purchase Plan (incorporated by reference to Exhibit A to Mednax’s Definitive Proxy Statement on Schedule 14A, filed with the SEC on September 18, 2015).\*
- 10.6 2015 Non-Qualified Stock Purchase Plan of Mednax, Inc., dated September 14, 2015 (incorporated by reference to Exhibit B to Mednax’s Proxy Statement dated September 18, 2015).\*
- 10.7 Executive Non-Qualified Deferred Compensation Plan of Pediatrix, 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).\*
- 10.8 Amended and Restated Thrift and Profit Sharing Plan of Pediatrix (incorporated by reference to Exhibit 4.5 to Pediatrix’s Registration Statement on Form S-8 (Registration No. 333-101222)).\*
- 10.9 Pediatrix Medical Group of Puerto Rico Thrift and Profit Sharing Plan (incorporated by reference to Exhibit 4.3 to Pediatrix’s Registration Statement on Form S-8 dated December 9, 2004).\*
- 10.10 Mednax, Inc. Amended and Restated 2008 Incentive Compensation Plan (incorporated by reference to Exhibit A to Mednax’s Definitive Proxy Statement on Schedule 14A dated March 29, 2019).\*
- 10.11 Mednax, Inc. Form of Non-Qualified Stock Option Agreement for Non-Qualified Stock Options Awarded Under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.17 to Mednax’s Annual Report on Form 10-K for the year ended December 31, 2008).\*
- 10.12 Mednax, Inc. Form of Restricted Stock Agreement for Restricted Stock Awarded Under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.18 to Mednax’s Annual Report on Form 10-K for the year ended December 31, 2008).\*
- 10.13 Separation Agreement, dated July 12, 2020, by and between Mednax Services, Inc. and Roger J. Medel, M.D. (incorporated by reference to Exhibit 10.2 to Mednax’s Current Report on Form 8-K filed on July 13, 2020).\*
- 10.14 Employment Agreement, dated July 12, 2020, by and between Mednax Services, Inc. and Mark S. Ordan (incorporated by Reference to Exhibit 10.1 to Mednax’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, filed on July 30, 2020).\*
- 10.15 Employment Agreement, effective September 8, 2020, by and between Mednax Services, Inc. and C. Marc Richards (incorporated by reference to Exhibit 10.4 to Mednax’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, filed on November 6, 2020).\*

- 10.16 Employment Agreement, effective September 27, 2020, by and between Mednax Services, Inc. and Dominic J. Andreano (incorporated by reference to Exhibit 10.5 to Mednax’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, filed on November 6, 2020).\*
- 10.17 Employment Agreement, dated August 1, 2019, by and between Mednax Services, Inc. and John C. Pepia (incorporated by reference to Exhibit 10.25 to Mednax’s Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 20, 2020).\*
- 10.18 First Amendment to Employment Agreement, effective April 1, 2020, by and between Mednax Services, Inc. and John C. Pepia (incorporated by reference to Exhibit 10.28 to Mednax’s Annual Report on Form 10-K/A for the year ended December 31, 2019, filed on April 28, 2020).\*
- 10.19 Amended and Restated Employment Agreement, dated February 13, 2020, by and between Mednax Services, Inc. and Stephen D. Farber (incorporated by reference to Exhibit 10.23 to Mednax’s Annual Report on Form 10-K/A for the year ended December 31, 2019, filed on April 28, 2020).\*
- 10.20 First Amendment to Amended and Restated Employment Agreement, effective April 1, 2020, by and between Mednax Services, Inc. and Stephen D. Farber. (incorporated by reference to Exhibit 10.24 to Mednax’s Annual Report on Form 10-K/A for the year ended December 31, 2019, filed on April 28, 2020).\*
- 10.21+ Amended and Restated Employment Agreement, effective September 27, 2020, by and between Mednax Services, Inc. and Roger Mack Hinson, M.D.\*
- 10.22 Form of Exclusive Management and Administrative Services Agreement with affiliated professional contractors (incorporated by reference to Exhibit 10.31 to Mednax’s Annual Report on Form 10-K for the year ended December 31, 2011).
- 10.23 Agreement, dated as of July 12, 2020, by and among Mednax, Inc., Starboard Value LP and certain of its affiliates (incorporated by reference to Exhibit 10.1 to Mednax’s Current Report on Form 8-K filed on July 13, 2020).
- 21.1+ Subsidiaries of the Registrant.
- 23.1+ Consent of PricewaterhouseCoopers LLP.
- 31.1+ Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2+ Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32++ Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.1+ Interactive Data File
- 101.INS+ XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH+ XBRL Schema Document.
- 101.CAL+ XBRL Calculation Linkbase Document.
- 101.DEF+ XBRL Definition Linkbase Document.
- 101.LAB+ XBRL Label Linkbase Document.
- 101.PRE+ XBRL Presentation Linkbase Document.
- 104+ Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).



- 
- \* Management contracts or compensation plans, contracts or arrangements.
  - \*\* Portions of this exhibit have been omitted pursuant to Item 601(b)(2) of Regulation S-K because they are both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed. The schedules and similar attachments to this exhibit have been omitted pursuant to Item 601(a)(5) of Regulation S-K.
  - + Filed herewith.
  - ++ Furnished herewith.

**ITEM 16. FORM 10-K SUMMARY**

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.

### MEDNAX, INC.

Date: February 18, 2021

By: /s/ Mark S. Ordan

Mark S. Ordan  
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.

| <u>Signature</u>                                       | <u>Title</u>  | <u>Date</u>       |
|--|---|-------------------|
| /s/ Mark S. Ordan<br>Mark S. Ordan                     | Chief Executive Officer, Director<br>(Principal Executive Officer)                      | February 18, 2021 |
| /s/ C. Marc Richards<br>C. Marc Richards               | Chief Financial Officer<br>(Principal Financial Officer)                                | February 18, 2021 |
| /s/ John C. Pepia<br>John C. Pepia                     | Senior Vice President and<br>Chief Accounting Officer<br>(Principal Accounting Officer) | February 18, 2021 |
| /s/ Guy P. Sansone<br>Guy P. Sansone                   | Director and Chair of the Board   | February 18, 2021 |
| /s/ Manuel Kadre<br>Manuel Kadre                       | Lead Independent Director   | February 18, 2021 |
| /s/ Karey D. Barker<br>Karey D. Barker                 | Director  | February 18, 2021 |
| /s/ Waldemar A. Carlo, M.D.<br>Waldemar A. Carlo, M.D. | Director  | February 18, 2021 |
| /s/ Paul G. Gabos<br>Paul G. Gabos                     | Director  | February 18, 2021 |
| /s/ Thomas A. McEachin<br>Thomas A. McEachin           | Director  | February 18, 2021 |
| /s/ Roger J. Medel, M.D.<br>Roger J. Medel, M.D.       | Director  | February 18, 2021 |
| /s/ Michael A. Rucker<br>Michael A. Rucker             | Director  | February 18, 2021 |
| /s/ John M. Starcher, Jr.<br>John M. Starcher, Jr.     | Director  | February 18, 2021 |
| /s/ Shirley A. Weis<br>Shirley A. Weis                 | Director  | February 18, 2021 |

CERTIFICATIONS

I, Mark S. Ordan, certify that:

1. I have reviewed this annual report on Form 10-K of Mednax, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2021

By: /s/ Mark S. Ordan

Mark S. Ordan  
Chief Executive Officer  
(Principal Executive Officer)

CERTIFICATIONS

I, C. Marc Richards, certify that:

1. I have reviewed this annual report on Form 10-K of Mednax, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2021

By: /s/ C. Marc Richards  
C. Marc Richards  
Chief Financial Officer  
(Principal Financial Officer)

**Certification Pursuant to 18 U.S.C Section 1350  
(Adopted by Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Annual Report of Mednax, Inc. on Form 10-K for the year ended December 31, 2020 (the "Report"), each of the undersigned hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Mednax, Inc.

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

February 18, 2021

By: /s/ Mark S. Ordan  
Mark S. Ordan  
Chief Executive Officer  
(Principal Executive Officer)

By: /s/ C. Marc Richards  
C. Marc Richards  
Chief Financial Officer  
(Principal Financial Officer)

[THIS PAGE INTENTIONALLY LEFT BLANK]

## Board of Directors

Karolyn D. Barker <sup>4, 6</sup>  
Managing Director, Chief Executive  
Officer and President  
Cross Creek Advisors, LLC

Waldemar A. Carlo, M.D. <sup>5, 7</sup>  
Professor of Pediatrics and Director,  
Division of Neonatology  
University of Alabama at Birmingham  
School of Medicine

Paul G. Gabos <sup>4</sup>  
Chief Financial Officer (retired)  
Lincare Holdings Inc.

Manuel Kadre <sup>2, 3, 5, 6</sup>  
Chairman and Chief Executive Officer  
Tri-State Luxury Collection

Thomas A. McEachin <sup>3, 4, 6</sup>  
Director  
Surgalign Holdings, Inc.

Roger J. Medel, M.D. <sup>7</sup>  
Former Chief Executive Officer

Mark S. Ordan  
Chief Executive Officer

Michael A. Rucker <sup>4, 7</sup>  
Chief Executive Officer  
Ivy Rehab Network, Inc.

Guy P. Sansone <sup>1, 3</sup>  
Co-Founder, Chairman and Chief  
Executive Officer  
H2 Health

John M. Starcher, Jr. <sup>3, 5, 6, 7</sup>  
President and Chief Executive Officer  
Bon Secours Mercy Health

Shirley A. Weis <sup>5, 6</sup>  
President  
Weis Associates, LLC

<sup>1</sup>Chair of the Board

<sup>2</sup>Lead Independent Director

<sup>3</sup>Strategy Committee

<sup>4</sup>Audit Committee

<sup>5</sup>Compensation Committee

<sup>6</sup>Nominating and Corporate Governance  
Committee

<sup>7</sup>Medical Science and Technology  
Committee

## Officers and Senior Management

Mark S. Ordan  
Chief Executive Officer

C. Marc Richards  
Executive Vice President  
Chief Financial Officer

Roger Mack Hinson, M.D.  
President, Pediatrix and Obstetrix  
Medical Groups

Dominic J. Andreano  
Executive Vice President  
General Counsel and Secretary

John C. Pepia  
Senior Vice President  
Chief Accounting Officer

James D. Swift, M.D.  
Executive Vice President  
Chief Development Officer

Curtis B. Pickert, M.D.  
President, Clinical Services

Zawadi Bryant  
President, Mednax Acute Care  
Pediatrics

Daniel Corcoran  
Senior Vice President  
Managed Care and Payor Contracting

Claire M. Fair  
Senior Vice President  
Chief Human Resources Officer

Charles Lynch  
Senior Vice President  
Finance and Strategy

Jason Miller  
Senior Vice President  
Chief Information Officer

Mary Ann Moore  
Senior Vice President  
Chief Legal Officer, Operations

Alan B. Oliver  
Chief Operating Officer  
Pediatrix and Obstetrix Medical Groups,  
East

Darren E. Patz  
Senior Vice President  
Chief Government Affairs Officer

Dana Dreher-Rodwell  
Chief Compliance Officer

Lee Wood  
Chief Operating Officer  
Pediatrix and Obstetrix Medical Groups,  
West

## Corporate and Shareholder Information

### Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP  
Miami, Florida

### Corporate Counsel

DLA Piper LLP (US)  
Miami, Florida

### Transfer Agent

Computershare Investor Services  
P.O. Box 505005  
Louisville, Kentucky 40233  
[www.computershare.com/investor](http://www.computershare.com/investor)

### Corporate Headquarters

Mednax, Inc.  
1301 Concord Terrace  
Sunrise, Florida 33323  
Telephone: 954-384-0175  
[www.mednax.com](http://www.mednax.com)

### Form 10-K and Other Documents

The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Proxy Statement and other financial documents may be obtained without charge at [www.mednax.com](http://www.mednax.com), or by writing Mednax's Investor Relations group at:  
Investor Relations  
Mednax, Inc.  
1301 Concord Terrace  
Sunrise, Florida 33323

### Notice of Annual Meeting

The Annual Meeting of Shareholders will be held virtually at 10:30am ET on Wednesday, May 12, 2021. There will not be a physical meeting location due to the continued concerns related to the COVID-19 pandemic.



1301 Concord Terrace  
Sunrise, Florida 33323  
954.384.0175

[www.mednax.com](http://www.mednax.com)