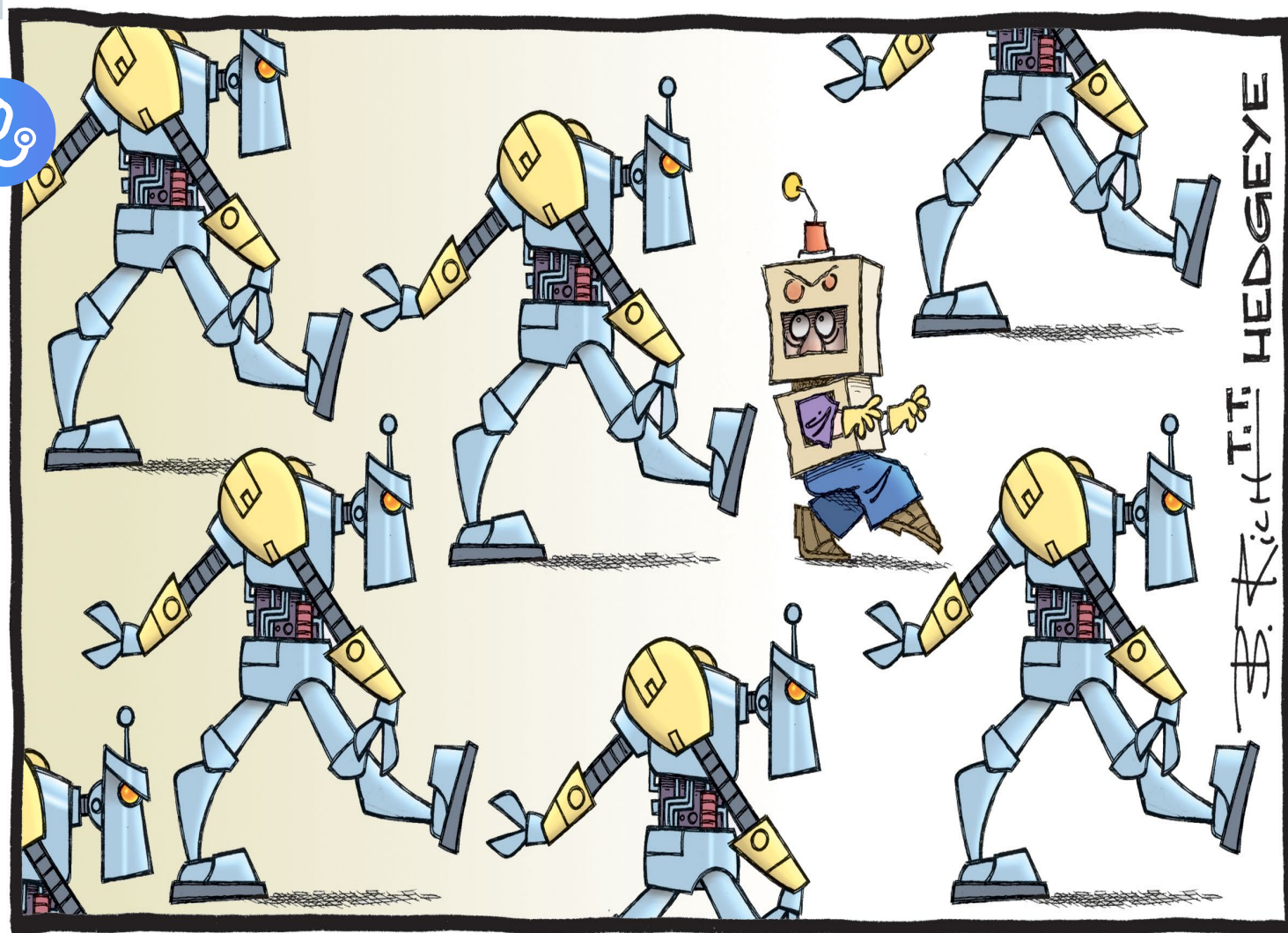


HEDGEYE

MEDNAX[®]
HEALTH SOLUTIONS PARTNER

MEDNAX

December 30, 2019



Hedgeye Health Care

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Please submit questions* to
qa@hedgeye.com

*Answered at the end of the call

Health Care Position Monitor

HEDGEYE

For Week of December 30, 2019

Best Ideas - Longs						Best Ideas - Shorts					
LONG		Price	Mkt Cap (\$B)	Trend	Tail	SHORT		Price	Mkt Cap (\$B)	Trend	Tail
Active Longs						Active Shorts					
MD	MEDNAX, Inc.	\$ 27.16	\$2.3B	✓	✓	NVTA	Invitae Corp.	\$ 16.17	\$1.6B	×	×
THC	Tenet Healthcare Corporation	\$ 38.25	\$4.0B	✓	---	HQY	HealthEquity Inc	\$ 74.03	\$5.2B	×	×
AMN	AMN Healthcare Services, Inc.	\$ 61.65	\$2.9B	✓	---	DXCM	DexCom, Inc.	\$ 218.11	\$19.9B	×	×
ANTM	Anthem, Inc.	\$ 306.42	\$77.7B	✓	✓						
ILMN	Illumina, Inc.	\$ 332.29	\$48.8B	✓	✓						
GH	Guardant Health, Inc.	\$ 78.81	\$7.4B	✓	✓						
ZBH	Zimmer Biomet Holdings, Inc.	\$ 150.01	\$30.9B	✓	✓						
Long Bias						Short Bias					
TDOC	Teladoc Health, Inc.	\$ 83.35	\$6.0B	---	---	MYGN	Myriad Genetics, Inc.	\$ 26.78	\$2.0B	---	---
TXG	10x Genomics Inc Class A	\$ 78.15	\$1.6B	---	---	EXAS	Exact Sciences Corporation	\$ 94.10	\$13.9B	---	---
SGRY	Surgery Partners, Inc.	\$ 15.52	\$0.8B	---	---	UNH	UnitedHealth Group Incorporated	\$ 295.97	\$280.4B	---	---
UHS	Universal Health Services, Inc. Class B	\$ 143.35	\$11.5B	---	---	DVA	DaVita Inc.	\$ 74.75	\$9.6B	---	---
HCA	HCA Healthcare Inc	\$ 149.26	\$50.6B	---	---						

Disclaimer

Hedgeye's "bias" represents Hedgeye's outlook on companies currently under Hedgeye's review, or for which timing is not right for greater coverage. Hedgeye may or may not provide further commentary on any or all companies represented on the bench and representation of a company on the bench does not forecast whether Hedgeye will or will not issue any additional material on that company.

Key Drivers

1 Activism, Turnaround, and Sale

According to the news reports some have suggested the sale of the Anesthesiology business. The new CFO and presumptive CEO, has initiated a multi-year turnaround program. As of 2019, Starboard Value LP has acquired a substantial stake and proposed the sale of part or the entire company.

2 Expansion of Radiology Business

The company has stated its intention to expand Radiology through acquisitions. The success or failure of these acquisitions and the payor mix of the newly acquired practices can be considered a major driver. The re-acceleration of acquisitions helps the model in three important ways:

1. Rate lift: acquired practice prices rise to Mednax levels, boosting same unit pricing over multiple years.
2. Same practice doc additions, also known as organic growth, according to management.
3. Total growth: mid-single digit contribution from acquisitions in 2021

3 Macro factors

Birth rates in U.S will be a major driver for the company's NICU division. Medical consumption has been accelerating over 2019 with substantial acceleration in Radiology which appears likely to continue into 2020.

4 Out of Network and Surprise Billing:

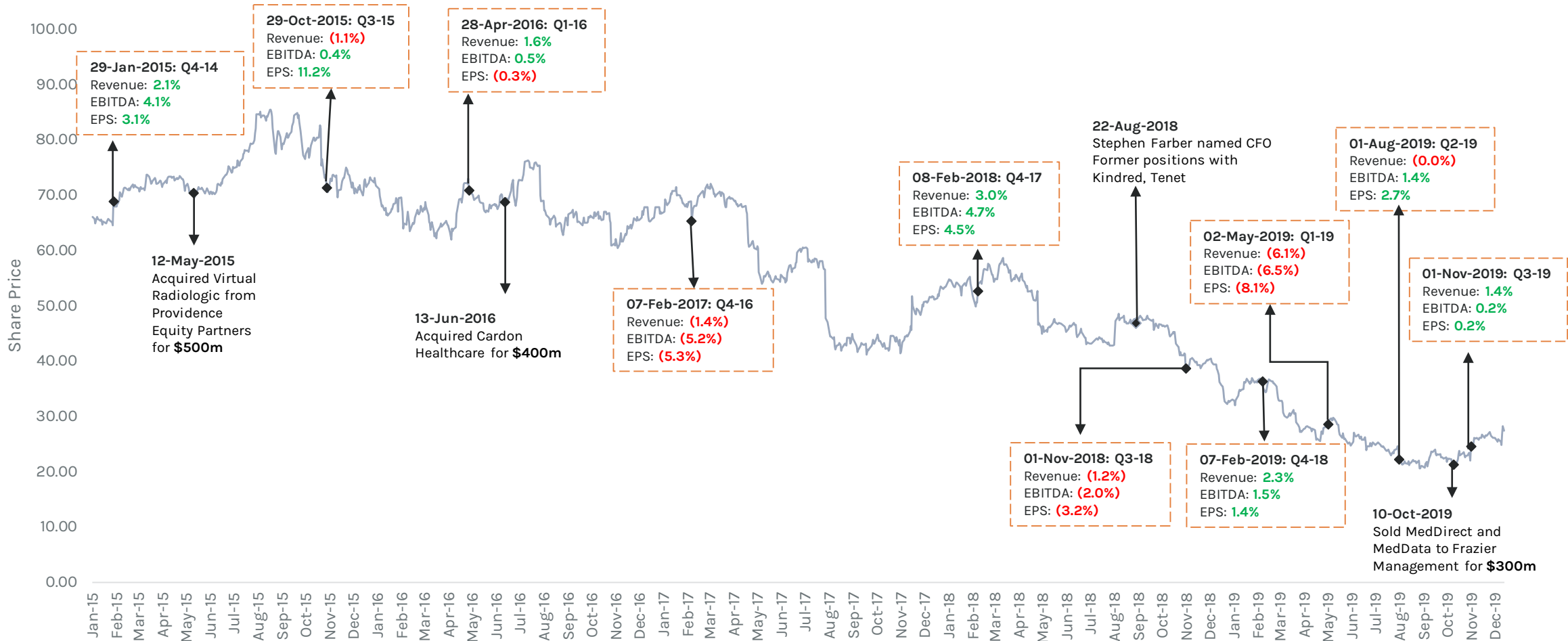
Addressing the problem is harder than it seems.

5 Mednax is not the second coming of PhyCor

The ascent and implosion of the physician practice companies in the 1990s has only faint parallels to Mednax today.

MD Price History

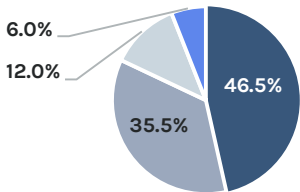
Beat/Miss and Corporate Actions



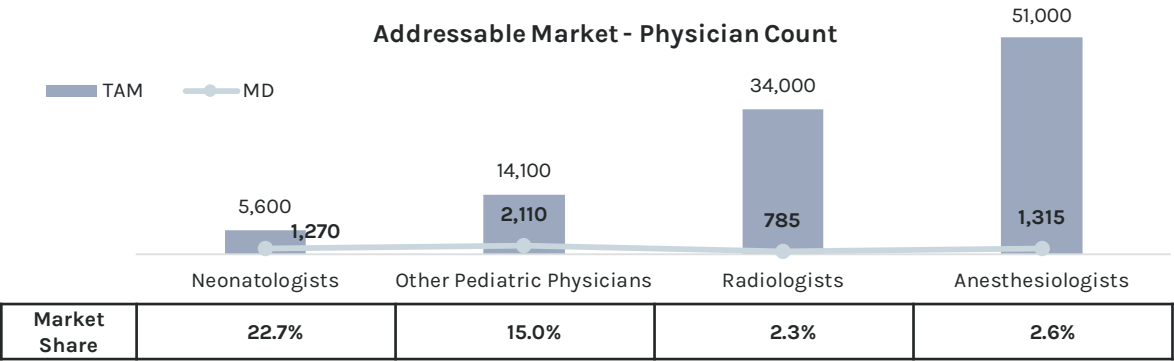
Company Overview

Business Overview

- Founded in 1979 as neonatal physician group, MEDNAX is a national medical group that comprises the nation's leading providers of neonatal, anesthesia, maternal-fetal, pediatric medical, and surgical subspecialty services
 - It also provides management services to healthcare facilities and physicians
 - Spread across 50 states (Texas contributing c.20% of net revenue), the District of Columbia, and Puerto Rico
- Earned a **revenue of \$3.6bn in FY 2018**, comprising of the following segment performance:
 - Women's and Children's Services: \$1.7bn (46.5%)
 - Anesthesiology: \$1.3bn (35.5%)
 - Radiology: \$438m (12.0%)
 - Management Services: \$219m (6.0%)
- As of December 2018, the national network comprised of **c.4,210 affiliated physicians**, including 1,270 neonatal physicians, 1,315 anesthesia physicians, 785 radiology physicians, 365 maternal-fetal physicians, and 335 pediatric subspecialists
 - Also employed or contracted c.4,250 other clinical professionals and c.7,625 other full-time and part-time employees
- Headquartered at Sunrise, FL



Addressable Market - Physician Count



Recent M&A Deals

Date	Company	Deal Value
10-Oct-2019	Sold MedDirect and MedData to Frazier Management	\$300m
26-Nov-2018	Acquired Bethesda Radiology Associates	Undisclosed
01-Nov-2018	Acquired Associates In Diagnostic Radiology	Undisclosed
10-Oct-2018	Acquired South Dade Neonatology	Undisclosed
02-Oct-2018	Acquired Radiology Specialists	Undisclosed
24-Apr-2018	Acquired Women's Radiology Associates	Undisclosed
02-Apr-2018	Acquired Children's Urology Associates	Undisclosed
27-Mar-2018	Acquired Cool Springs Interventional	Undisclosed
21-Mar-2018	Acquired Children's Eye Care	Undisclosed
10-Jan-2018	Acquired Tri-Valley Neonatal Medical Group	Undisclosed

Management Overview

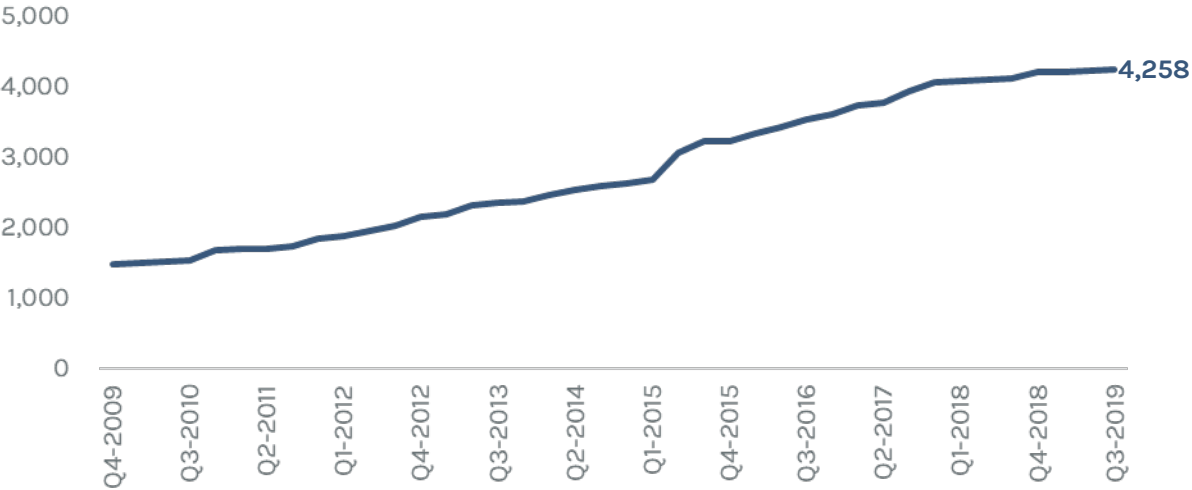
Name	Position
Roger J. Medel	Chief Executive Officer
Stephen D. Farber	Chief Financial Officer
David A. Clark	Chief Operating Officer
Nikos Nikolopoulos	Chief Strategy and Growth Officer

Company Overview

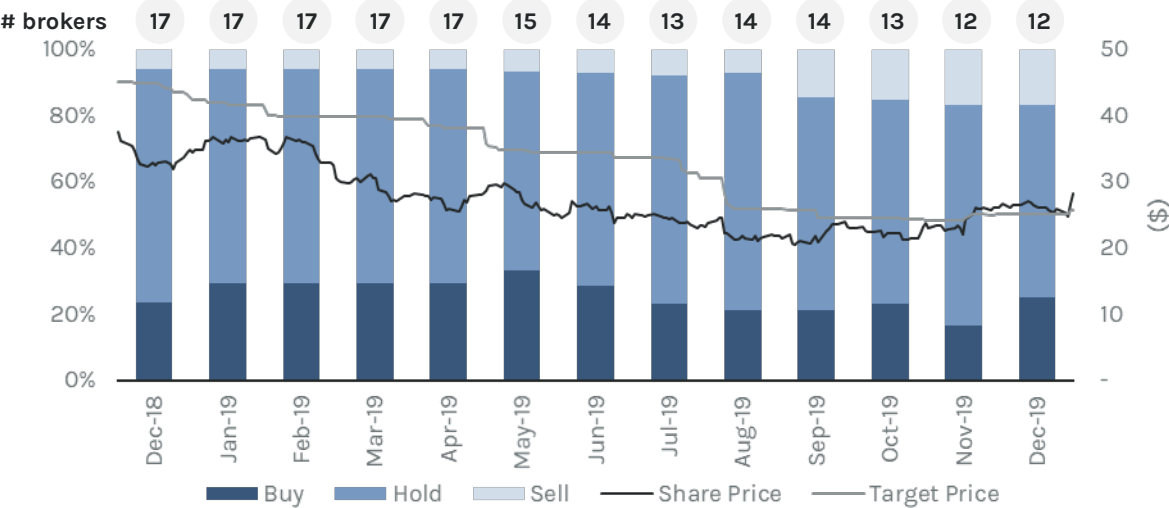
Financial Overview

Particulars (\$m)	2017A	2018A	2019E	2020E	2021E
Revenue	3,458	3,647	3,508	3,579	3,669
Growth (%)	—	5.5	(3.8)	2.0	2.5
EBITDA	588	569	497	494	501
Net Income (Adj.)	310	350	279	255	284
EPS (\$)	3.34	3.82	3.38	3.45	3.64

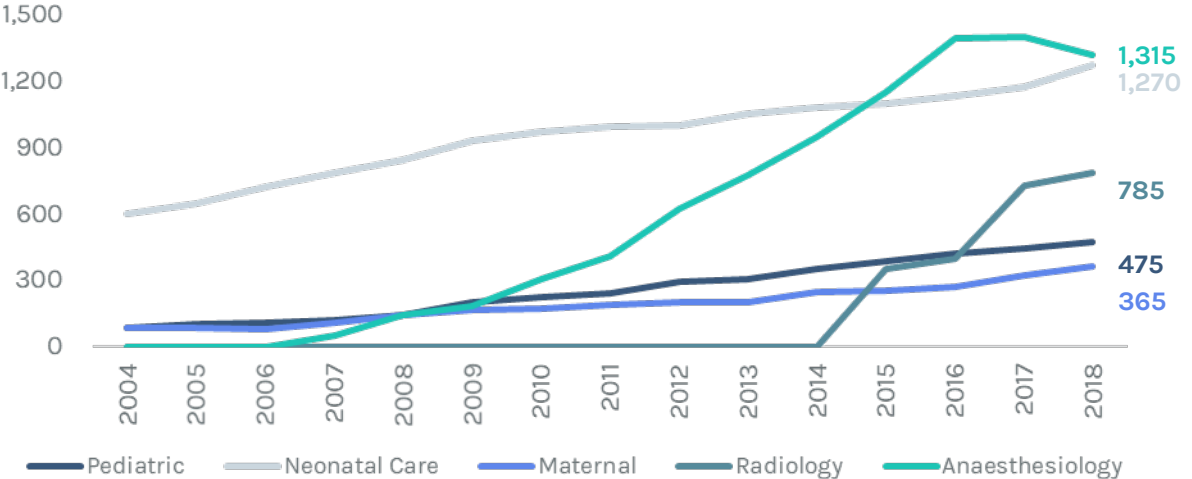
Affiliated Physicians



Broker Outlook



Affiliated Physicians by Specialty



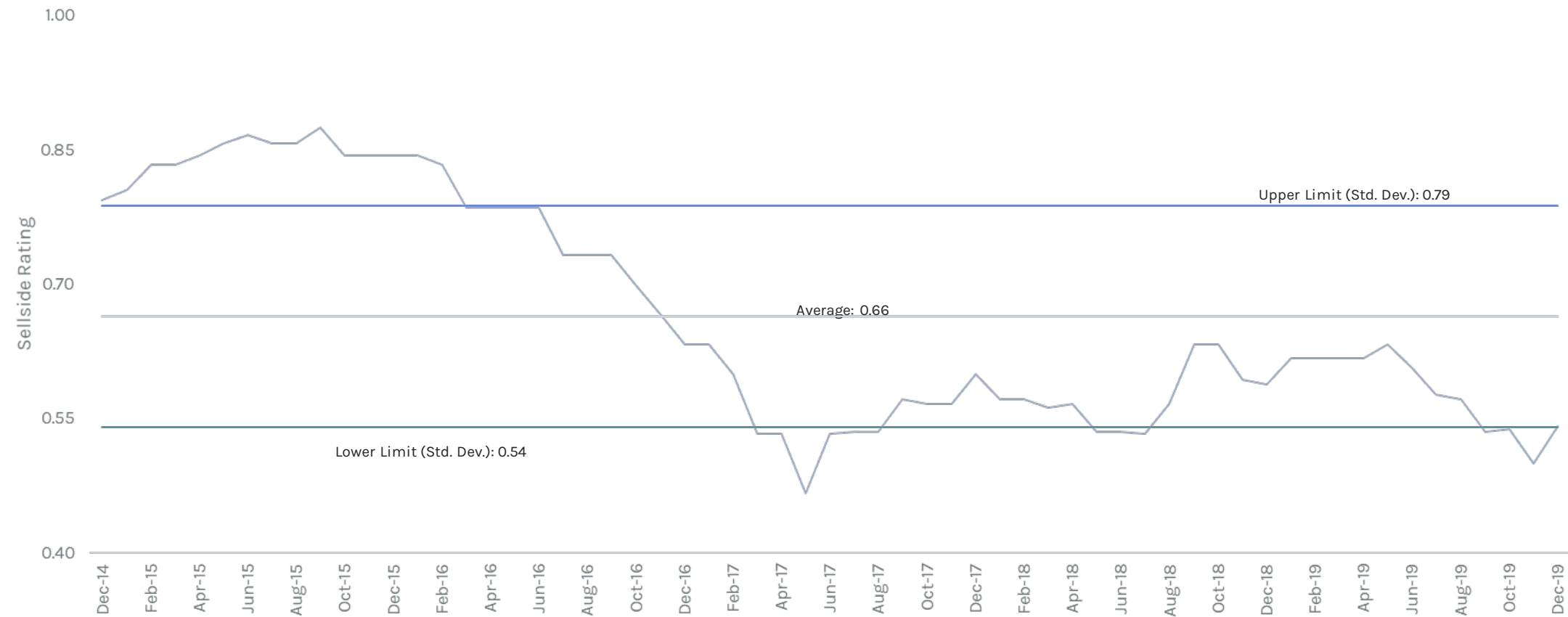
Management Pay Structure

Name	Position	Compensation Structure (FY 2018)				
		Base Salary	Stock Awards	Non-Equity Incentives	Other Compensation	Total Compensation
Roger J. Medel	CEO	1,000,000	8,000,400	669,000	268,977	9,938,377
Stephen D. Farber ¹	Executive VP and CFO	192,882	4,758,000	191,370	607,381	5,749,633
Vivian Lopez-Blanco	Former CFO and Treasurer	475,000	2,000,024	211,850	11,288	2,698,162
Joseph M. Calabro	President	600,000	5,000,005	267,600	155,790	6,023,395
David A. Clark	COO	483,333	3,220,840	234,150	11,288	3,949,611
Dominic J. Andreano	Senior VP, General Counsel and Secretary	433,333	1,353,036	211,850	11,288	2,009,507

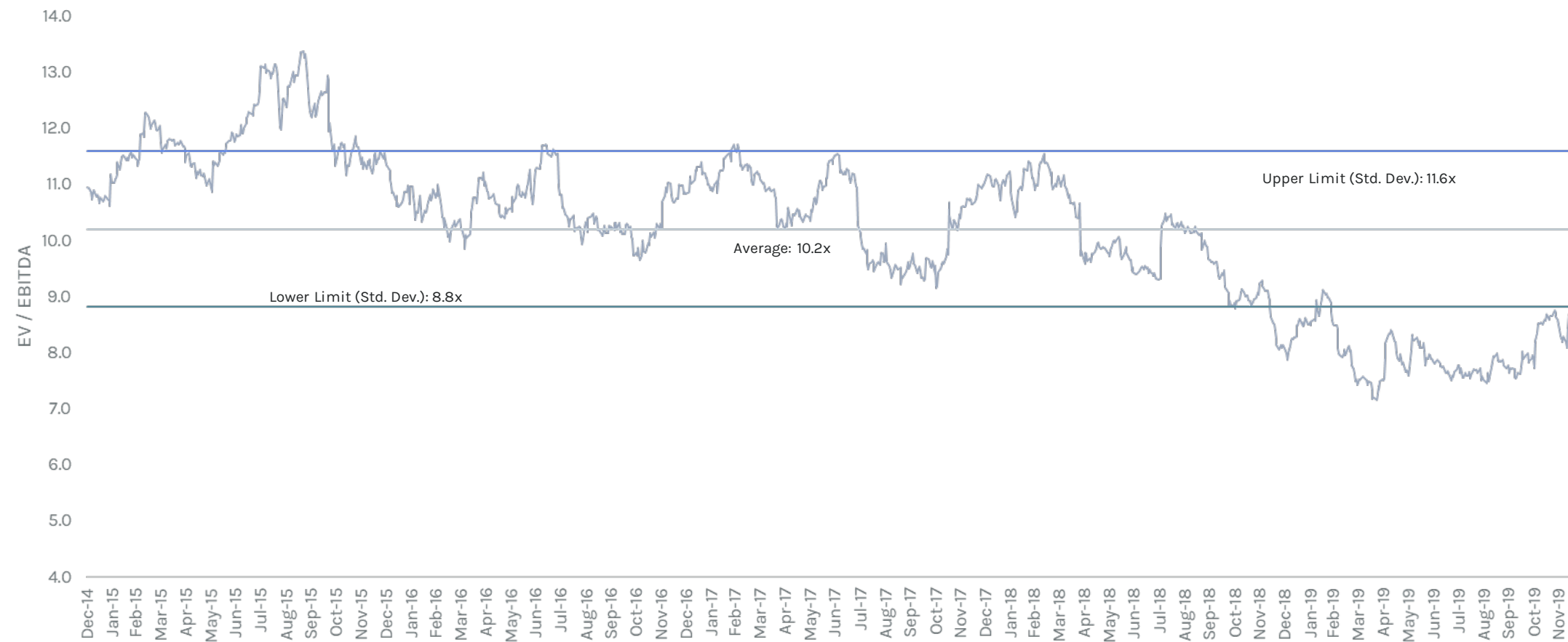
Note:
1 Stephen Farber joined MD effective August 22, 2018

Sellside Analyst Rating

After years of disappointment, the sellside rates MD a HOLD/SELL

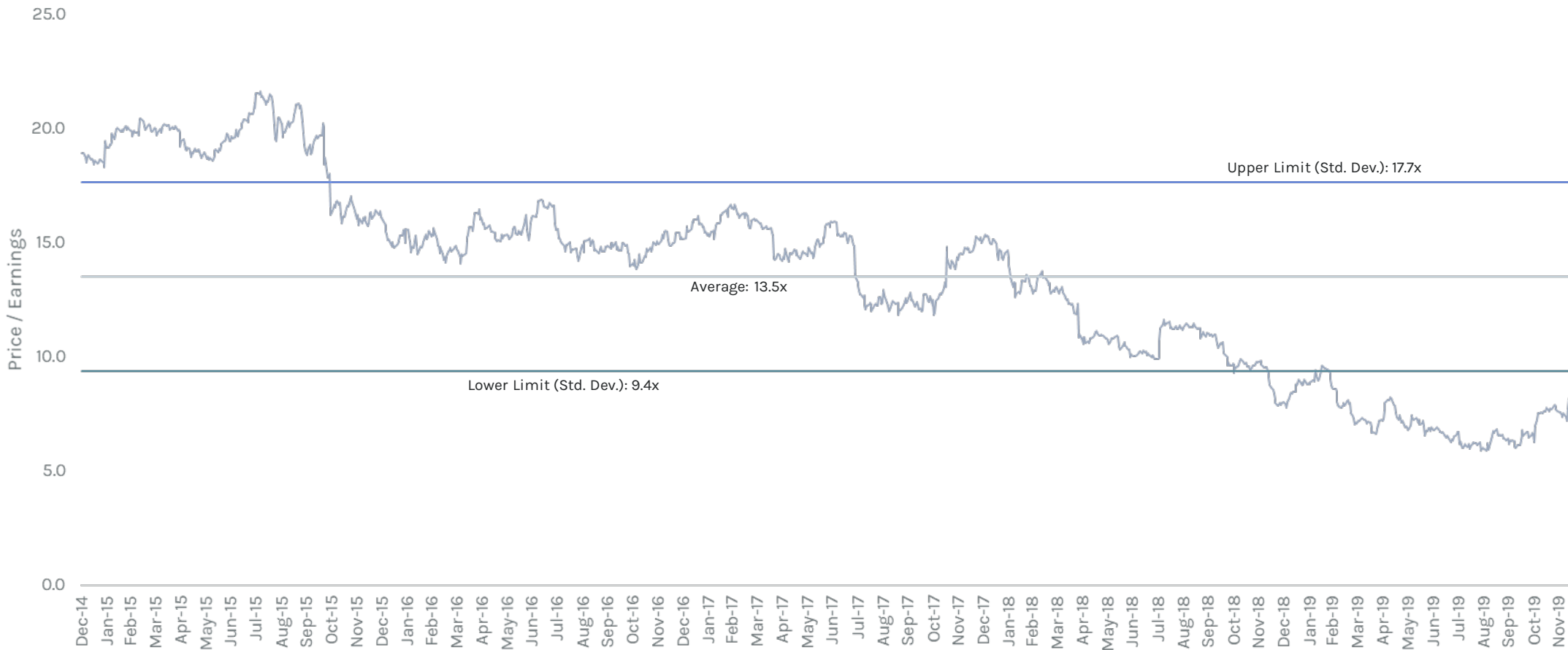


Buyside Sentiment – EV/EBITDA



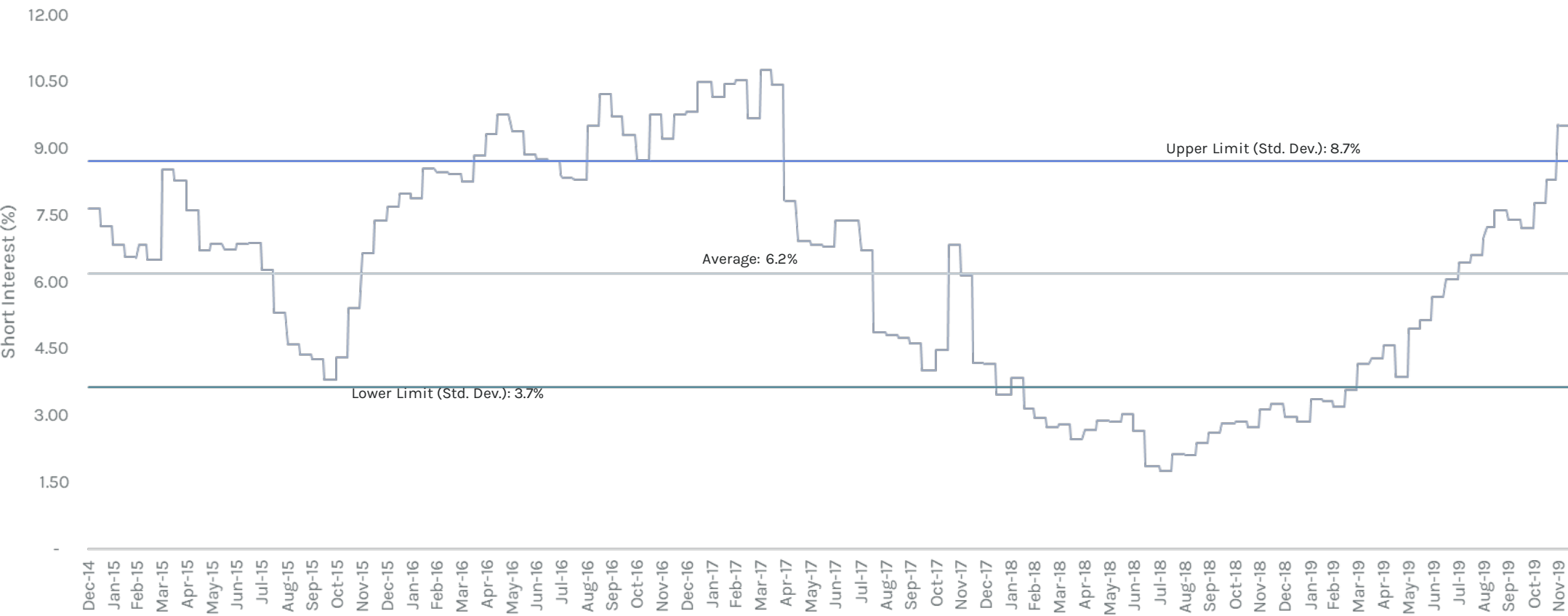
Buyside Sentiment – P/E

Low debt levels, estimates moving higher....is Mednax a ball under water?



Buyside Sentiment – Short Interest

Short Interest running up along with Surprise Billing Legislation



Growth Multiples

Correlation with the multiples

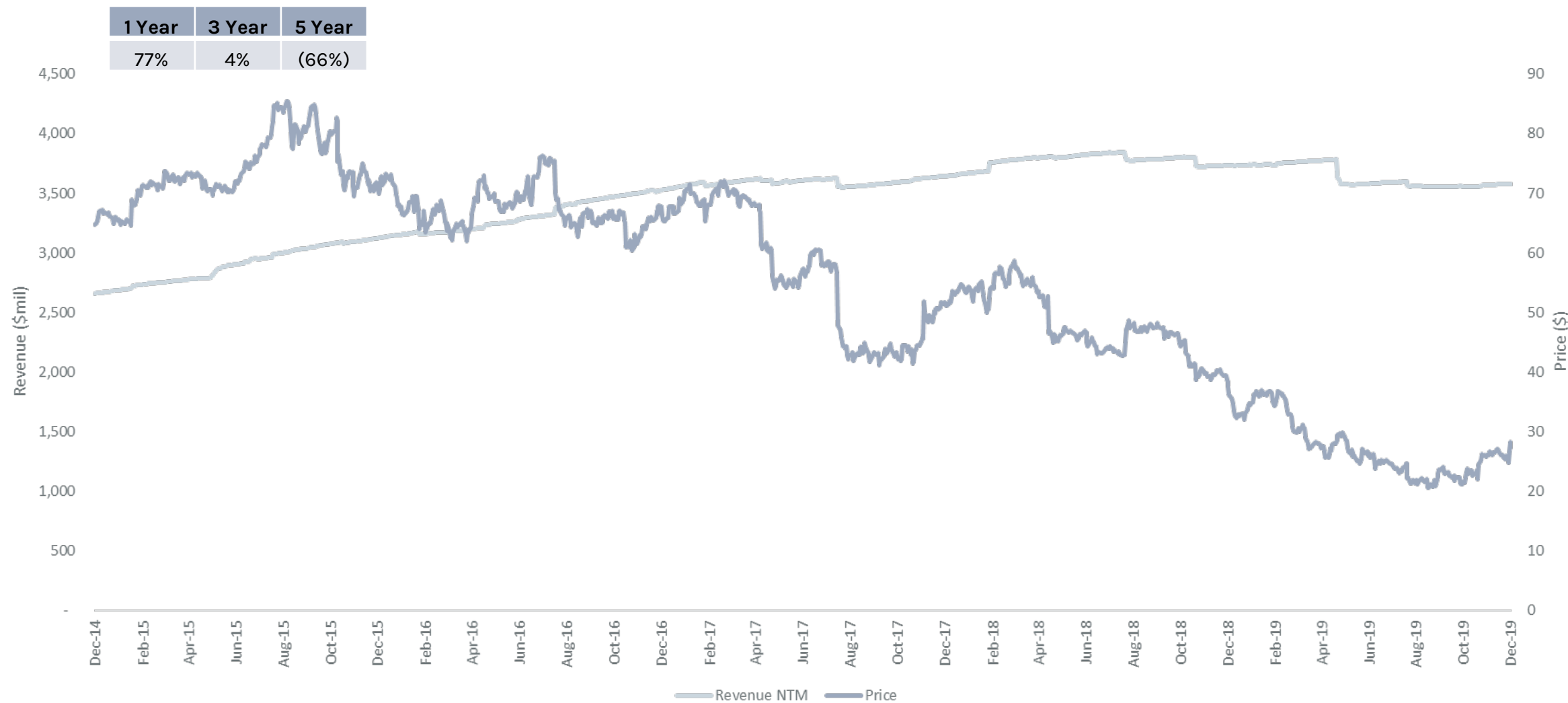
Correlation Between	5Y	3Y	1Y
NTM EBITDA and EV	0.850	0.913	0.867
NTM Sales and EV	(0.536)	(0.451)	0.666
NTM Sales and Price	(0.738)	(0.493)	0.699
NTM EPS and Price	0.326	0.565	0.884

Highest correlation is observed in NTM EBITDA and EV

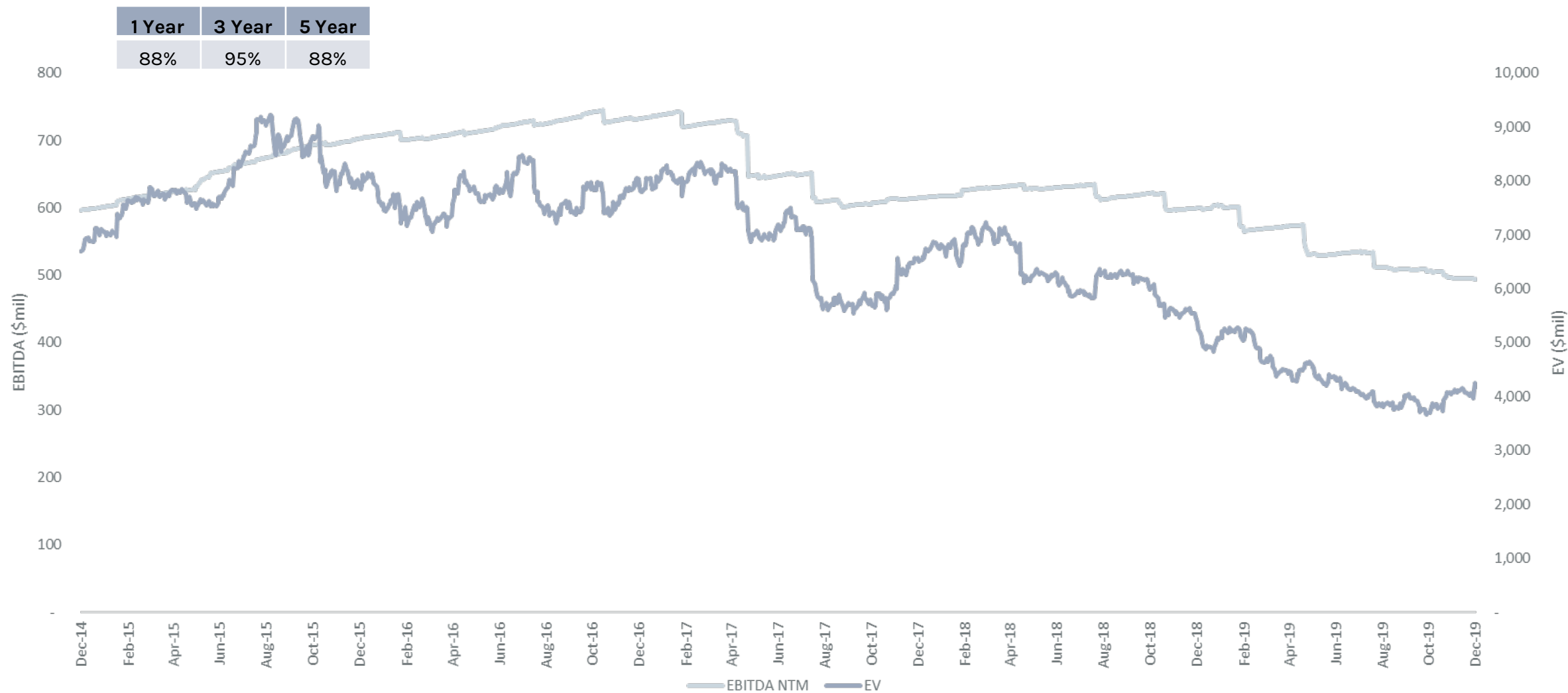
Price estimates based on NTM EBITDA and relative multiple

	EV / NTM EBITDA					
NTM EBITDA (\$m)	7.0x	7.5x	8.0x	8.5x	9.0x	9.5x
400	8.19	10.47	12.75	15.03	17.30	19.58
450	12.18	14.74	17.30	19.87	22.43	24.99
500	16.16	19.01	21.86	24.71	27.55	30.40
550	20.15	23.28	26.41	29.54	32.68	35.81
600	24.14	27.55	30.97	34.38	37.80	41.22

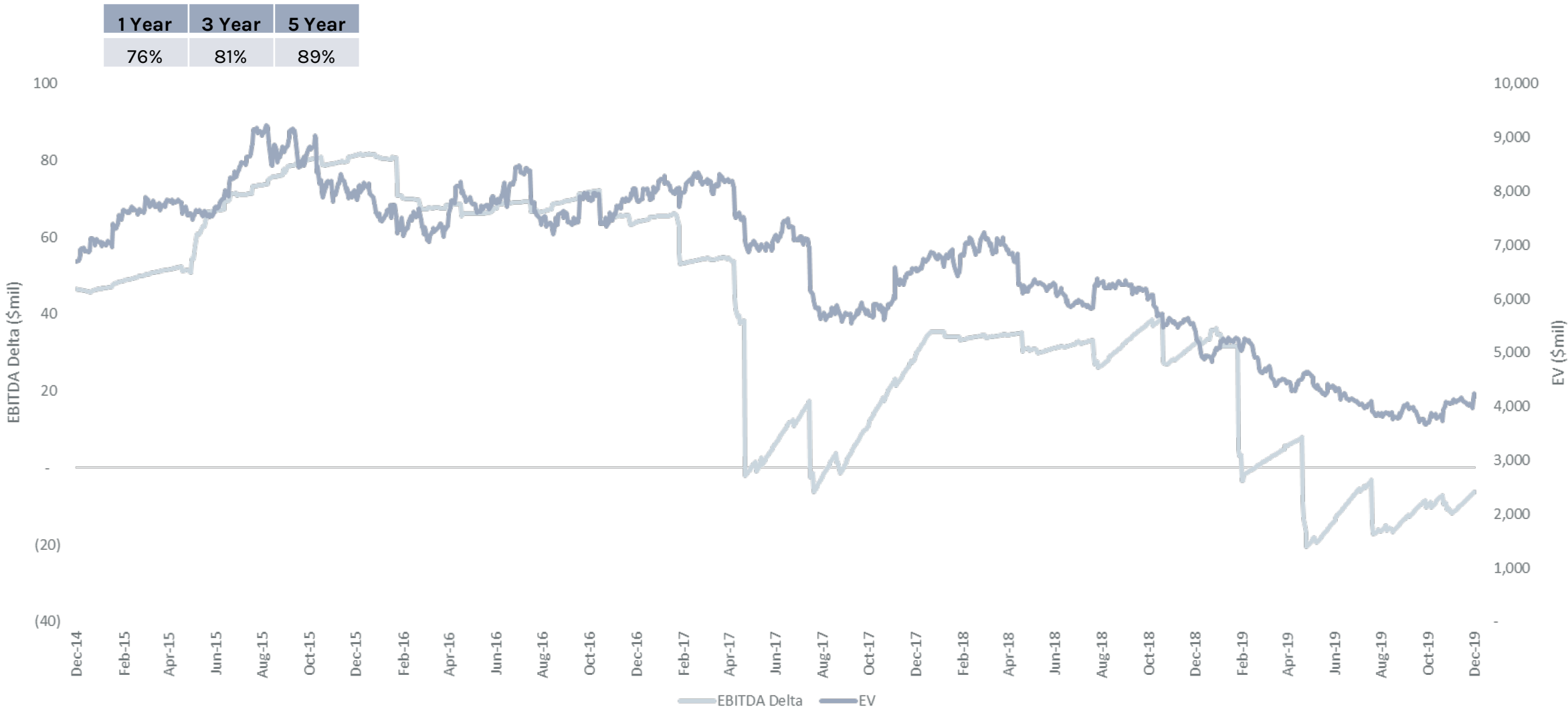
Revenue Estimates Trending Flat to Down



EBITDA Estimates Have Fallen for 3 Straight Years



EBITDA Estimates Rate of Change Positive



Stock Quad 3 Transitioning to Quad 1

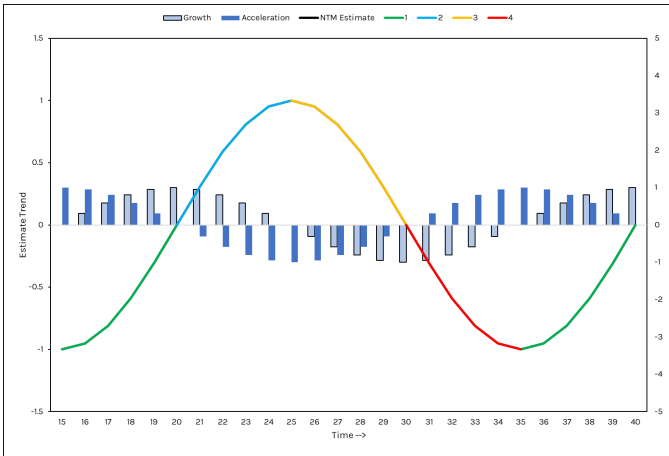
Accelerating off a low base



Understanding the Mednax share price is through the EBITDA estimate and our analysis suggests there is high probability that estimates move higher from here.

Surprise billing legislation is a concern, but we believe less will come of it than feared. The parallels to prior iterations of physician practice management are overdrawn.

In the vernacular of growth and acceleration, Mednax is moving from Quad 3 into Quad 1.



Birth Trends Negative Trend

CDC trailing 12 months vs Current Population Survey under 1 year old

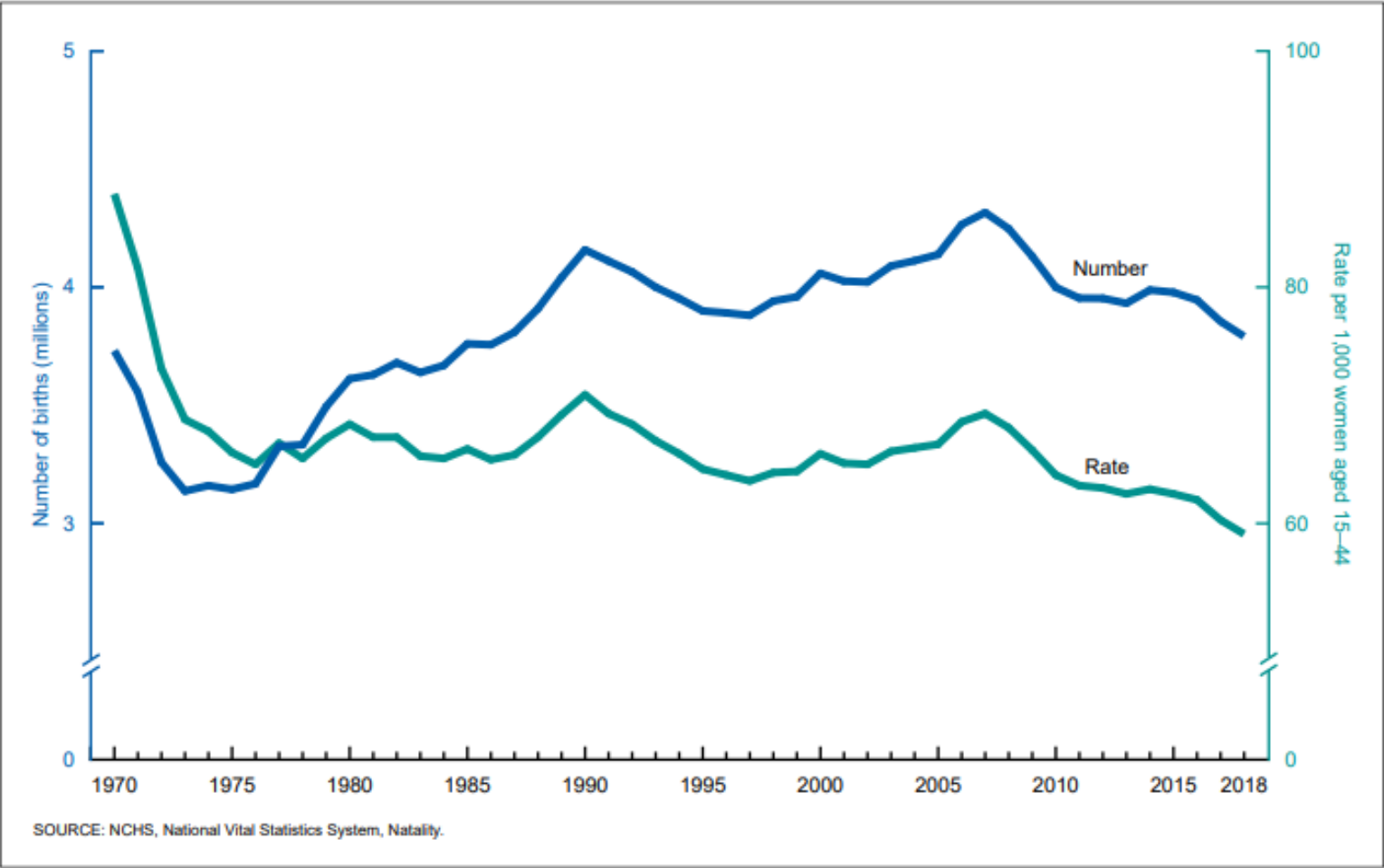


Figure 2. Live births and general fertility rates: United States, 1970–2018

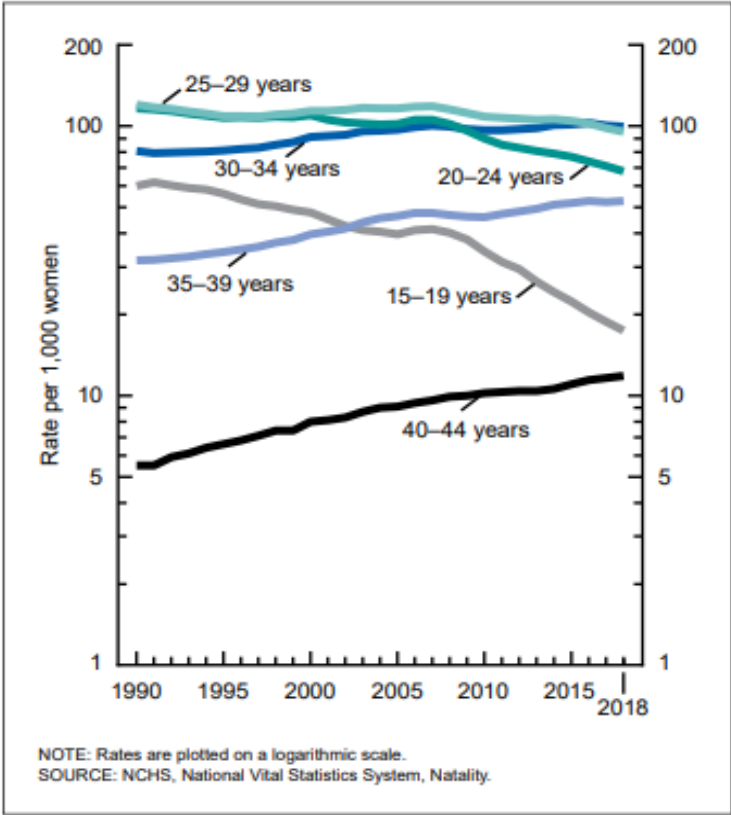
After peaking in 2007-2008, births have been trending lower for a decade with a backdrop of accelerating demographic growth for Millennials.

Rate per 1,000 women has fallen across all race/ethnic groups and ages.

The Great Recession, student debt, climate change, workforce opportunities for women, and social expectations have all been cited among many others to explain the decline.

Births by Age Groups

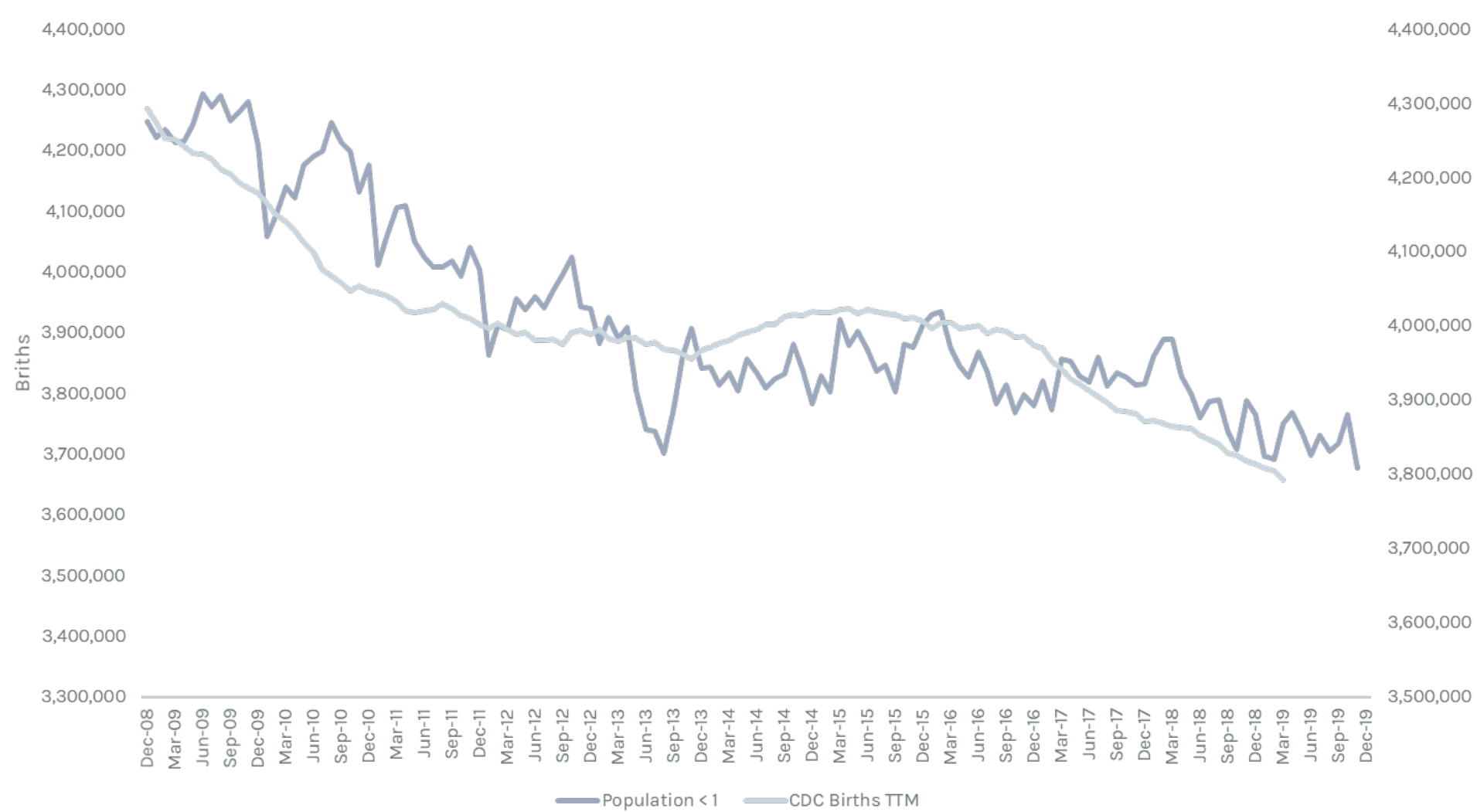
Live-birth order and race and Hispanic origin of mother	All ages	Under 15	15-19					
			Total	15	16	17	18	19
All races and origins ¹	3,791,712	1,736	179,871	4,953	13,088	26,250	50,088	85,492
1st child	1,433,915	1,712	151,440	4,842	12,458	23,863	42,670	67,607
2nd child	1,208,762	16	24,506	91	586	2,196	6,535	15,098
3rd child	651,049	1	3,122	4	18	136	714	2,250
4th child	283,877	-	332	-	4	7	45	276
5th child	111,885	-	42	-	-	1	14	27
6th child	47,066	-	12	-	1	-	1	10
7th child	21,456	-	4	-	-	-	-	4
8th child and over	23,095	-	13	-	-	-	2	11
Not stated	10,607	7	400	16	21	47	107	209



While the decline in teen births continues to fall, the number of births from this age group remains 5% of total.

Birth Trends Negative Trend

CDC trailing 12 months vs Current Population Survey persons under 1 year old



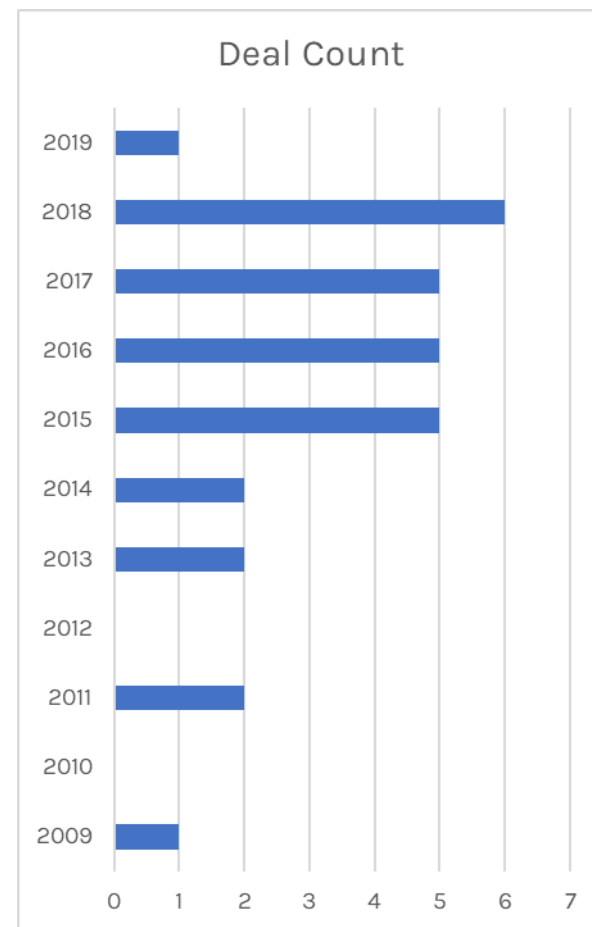
The Current Population Survey is used for many reports for the Bureau of Labor Statistics including the unemployment rate.

Here we are comparing the monthly population of people under the age of 1, or newborns, to the trailing 12 month sum of births reported by the CDC.

Competitive Acquisition Pace Slowed in 2019

Key competitors for deals are in private hands and have been quiet this year

Transaction Name	Acquiree Name	Acquirer Name	Announced Date
Accellent acquired by Kohlberg Kravis Roberts	Accellent	Kohlberg Kravis Roberts	11/22/2005
Anesthetix Holdings acquired by TeamHealth Holdings	Anesthetix Holdings	TeamHealth Holdings	12/31/2009
National Surgical Care acquired by AmSurg Corporation	National Surgical Care	AmSurg Corporation	4/7/2011
Change Healthcare acquired by Blackstone Group	Change Healthcare	Blackstone Group	8/4/2011
PRA International acquired by Kohlberg Kravis Roberts	PRA International	Kohlberg Kravis Roberts	6/24/2013
MESA Medical Group acquired by TeamHealth Holdings	MESA Medical Group	TeamHealth Holdings	10/15/2013
Sheridan Healthcare acquired by AmSurg Corporation	Sheridan Healthcare	AmSurg Corporation	5/29/2014
FGTBA acquired by TeamHealth Holdings	FGTBA	TeamHealth Holdings	9/9/2014
VISTA Staffing Solutions acquired by Envision Healthcare	VISTA Staffing Solutions	Envision Healthcare	1/20/2015
AmSurg Corporation acquired by Envision Healthcare	AmSurg Corporation	Envision Healthcare	6/15/2015
Rural/Metro Corporation acquired by Envision Healthcare	Rural/Metro Corporation	Envision Healthcare	7/31/2015
IPC-The Hospitalist Company acquired by TeamHealth Holdings	IPC-The Hospitalist Company	TeamHealth Holdings	8/3/2015
Questcare Medical Services acquired by Envision Healthcare	Questcare Medical Services	Envision Healthcare	11/3/2015
AllegiantMD acquired by Sheridan Healthcare	AllegiantMD	Sheridan Healthcare	7/5/2016
Genesis Anesthesia Services acquired by Sheridan Healthcare	Genesis Anesthesia Services	Sheridan Healthcare	9/8/2016
Ambulatory Anesthesia Associates acquired by Sheridan Healthcare	Ambulatory Anesthesia Associates	Sheridan Healthcare	9/8/2016
Florida Emergency Physicians acquired by TeamHealth Holdings	Florida Emergency Physicians	TeamHealth Holdings	10/3/2016
TeamHealth Holdings acquired by Blackstone Group	TeamHealth Holdings	Blackstone Group	10/31/2016
Angelica Corp acquired by Kohlberg Kravis Roberts	Angelica Corp	Kohlberg Kravis Roberts	4/3/2017
Gwinnett Emergency Specialists, P.C acquired by Envision Healthcare	Gwinnett Emergency Specialists, P.C	Envision Healthcare	5/22/2017
The Natureâ€™s Bounty Co acquired by Kohlberg Kravis Roberts	The Natureâ€™s Bounty Co	Kohlberg Kravis Roberts	7/24/2017
Covenant Surgical Partners acquired by Kohlberg Kravis Roberts	Covenant Surgical Partners	Kohlberg Kravis Roberts	8/8/2017
PetVet Care Centers acquired by Kohlberg Kravis Roberts	PetVet Care Centers	Kohlberg Kravis Roberts	12/27/2017
Emergency Medicine Consultants acquired by TeamHealth Holdings	Emergency Medicine Consultants	TeamHealth Holdings	2/5/2018
Heartland Dental Care acquired by Kohlberg Kravis Roberts	Heartland Dental Care	Kohlberg Kravis Roberts	3/7/2018
The Center for Autism and Related Disorders acquired by Blackstone Group	The Center for Autism and Related Disorders	Blackstone Group	4/13/2018
Envision Healthcare acquired by Kohlberg Kravis Roberts	Envision Healthcare	Kohlberg Kravis Roberts	6/11/2018
Clarus Ventures acquired by Blackstone Group	Clarus Ventures	Blackstone Group	10/4/2018
Decatur Radiology Physicians acquired by Envision Healthcare	Decatur Radiology Physicians	Envision Healthcare	10/17/2018
BrightSpring Health Services acquired by Kohlberg Kravis Roberts	BrightSpring Health Services	Kohlberg Kravis Roberts	3/5/2019

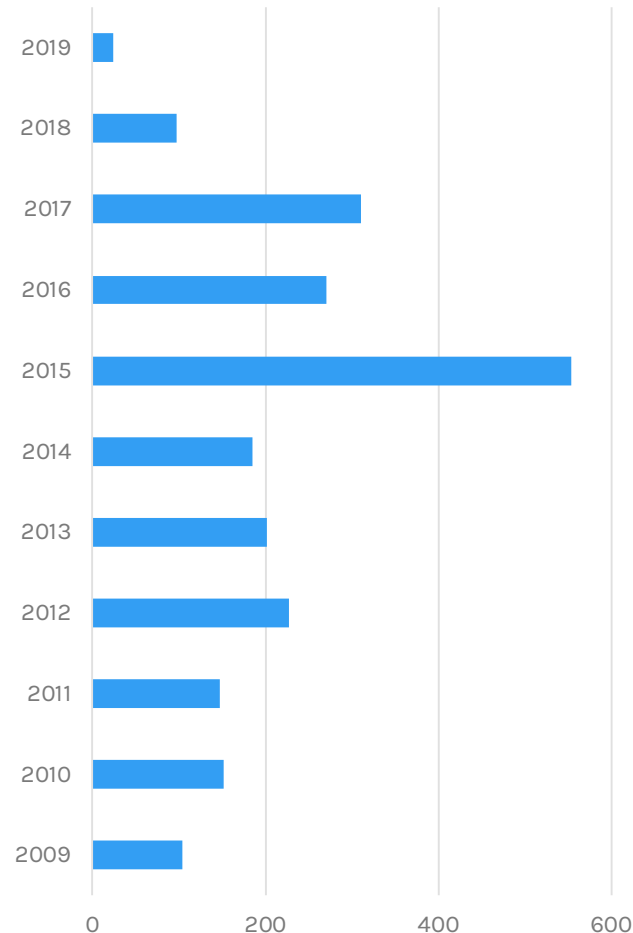


Acquisition Pace Slowed

We expect deal flow to re-accelerate in 2020

Date	Acquired Practice Name	City	State	Key Employee	Key Employee NPI	Group PAC ID	NPI ID	Practice Category	Total Doc
11/22/2019	Arcenio Chacón, M.D., P.A	Miami	FL	Arcenio Chacón, M.D., P.A	1093877102			Pediatric	1
11/22/2019	Associated Pediatricians of Homestead, LLC	Miami	FL	DANETTE TORRES	1164417069		1669469771	Pediatric	4
10/31/2019	Eric Stelnicki, M.D., P.A	Lauderdale	FL	Eric Stelnicki, M.D., P.A	1700866985	244282275		Pediatric	1
9/12/2019	CENTA, P.L.,	Orlando	FL	James Kosko, M.D.,	1619086477			Pediatric	4
8/30/2019	Northern Indiana Neonatal Associates, P.C	Fort Wayne	IN	James Cameron, MD, FAAP	1669524732		1730234071	Neonatal Care	6
8/14/2019	Halhore Maller Pediatric Neurology Associates, LTD,	Las Vegas	NV	Sri Halhore, MD,	1730119413	4486633351		Pediatric	2
6/14/2019	Alfredo Gei MD, P.A.,	Houston	TX	Alfredo Gei MD	1083626014	2668761081		Maternal	1
5/3/2019	Central Coast Perinatal Medical Group, Inc.	Santa Barbara	CA	Alex Soffici, M.D.,	1679527113			Maternal	3
3/29/2019	Georgia Neonatology, LLC	Athens	GA	Atul Khurana, M.D.	1508822198		1962832444	Neonatal Care	2
11/26/2018	Bethesda Radiology Associates PA	Boynton Beach	FL	Lane Deyoe, M.D.,	1972577856	1759287832		Radiology	10
11/1/2018	Associates in Diagnostic Radiology, P.C.	Chattanooga	TN	Martin Simms, M.D.	1114952330	4385537786		Radiology	10
10/10/2018	South Dade Neonatology	Miami	FL	Alex B. Koetzle, M.D.	1699724195		1841369006	Neonatal Care	33
10/2/2018	Radiology Specialists, LTD	Las Vegas	NV	Sean D. Beaty, M.D.	1316920986	0143110874		Radiology	25
4/24/2018	Women's Radiology Associates, LLP	Houston	TX	Yogesh P. Shah, M.D.	1174586085	3072745009		Radiology	6
4/2/2018	Children's Urology Associates, P.A	Miami	FL	Rafael Gosalbez, M.D.	1811925548	4486634417		Pediatric	6
3/27/2018	Cool Springs Interventional, LLC	Franklin	TN	Mark Shaw , MD.	1538143383	4385731702		Radiology	1
3/21/2018	Children's Eye Care, LLC	Kirkland	WA	Krista Heidar, MD.	1730293119	5092873281		Ophthalmology	3
1/10/2018	Tri-Valley Neonatal Medical Group, Inc.	Van Nuys	CA	Sukshma Sreepathi , MD.	1073614301		1497847305	Neonatal Care	3
10/18/2017	Synergy Radiology Associates, PA	Houston	TX	Timothy Braatz , MD.	1073526240	7719877737		Radiology	90
10/2/2017	Palm Beach Pediatric Urology, PA	Palm Beach	FL	Charles E. Flack, M.D.	1497729727	4486634417	1598739831	Pediatric	2
9/28/2017	Jefferson Radiology, PC and Jefferson Imaging Associates, LLC	Hartford	CT	Ethan Foxman, M.D., Ph.D.	1225014731	8729982525		Radiology	60
8/23/2017	Radiology Associates of South Florida (RASf)	Miami	FL	Ricardo C. Cury, M.D.	1871575589	5799689659		Radiology	70
6/20/2017	Greater Nashville Perinatology, PLC	Nashville	TN	Michael DeRoche, M.D	1548204043	9537210851		Maternal	1
3/23/2017	Bruce E. Snyder, M.D., PLLC.	Henderson	NV	Bruce. E Snyder, M.D.	1306860770	7911037643		Ophthalmology	1
3/13/2017	Midwest Perinatal Associates, P.A.	Overland Park	KS	Brent E. Finley, M.D.,	1265408751	8729168323		Pediatric	2
2/6/2017	Newborn Intensive Care Specialists, P.A. (NICS)	Spring	TX	Tung Giep, M.D.	1639146012	0042283921	1609094093	Neonatal Care	14
1/30/2017	Radiology Alliance, PC	Nashville	TN	Jason Shipman, M.D	1306993282	1850280470		Radiology	64
1/25/2017	Western Newborn Specialists, Inc.	Salt Lake City	UT	Cameron Swinton, M.D.	1780856500		1215936497	Neonatal Care	6
10/20/2016	Central New York Anesthesia Group	Syracuse	NY	Robert Black, M.D.	1639173347	9537050968		Anesthesiology	39
9/16/2016	Medical Anesthesia Consultants	Florence	SC	Gerald Hamrick, M.D.	1700865458	7012928732		Anesthesiology	20
9/16/2016	Anesthesia Associates of Naples, P.A.,	Naples	FL	Chad Purdom , M.D.	1093767030	3779583182		Anesthesiology	20
8/15/2016	Maternal Fetal Medicine of Southwest Florida, P.A.	Fort Myers	FL	Judith Krammer, M.D.	1780672527	7315848926		Pediatric	4
8/8/2016	Associated Anesthesiologists of Reno	Reno	NV	Matthew Hoberg, M.D.	1215002654	6800889064		Anesthesiology	49
7/11/2016	Pediatric Cardiology Associates, PC	Fairfax	VA	Sharon Karr, MD	1609854207	9739102765	1477610996	Pediatric	6
6/20/2016	Westchester Anesthesiologists	Westchester	NY	Mitchell Reuben, MD	1033272976	0749170736		Anesthesiology	27
6/7/2016	Children's Eye Care of North Texas	Plano	TX	Joel Norman Leffler, MD	1720102445	8729970215		Pediatric	1
6/7/2016	Northwest Anesthesia, PA	Minneapolis	MN	Steven Dentz, M.D.	1679540496	9335053842		Anesthesiology	37
3/29/2016	Mid-Missouri Neonatology, LLC	Columbia	MO	Timothy O'Connor, M.D.			1831269695	Neonatal Care	3
3/16/2016	Lighthouse Anesthesia, LLC	Savannah	GA	Richard Dodd, M.D.	1558370270	4082702386		Anesthesiology	28
3/7/2016	(PENT)	San Antonio	TX	Donald Moe, M.D.				Pediatric	2
1/21/2016	West End Anesthesia Group, Inc	Richmond	VA	Joshua Weiss, M.D	1467440206	8022099621		Anesthesiology	25
1/4/2016	Professional Anesthesia Associates, PC	Jackson	TN	Todd Seabrook, M.D.	1720289424	5991609364		Anesthesiology	9

Aquired Physicians



Reported, acquired, and net adds and losses

A true organic number is confounded by additions to same units

Reported Physicians	2005	2006	2007	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Neonatal Care	724	788	844	928	968	996	1000	1050	1080	1100	1130	1175	1270
Pediatric	110	122	146	202	227	242	295	305	350	385	422	443	475
Maternal	80	109	143	168	172	190	200	200	245	255	270	325	365
Anesthesiology	0	53	141	186	308	411	625	775	950	1150	1390	1400	1315
Radiology	0	0	0	0	0	0	0	0	0	350	400	730	785
Other	0	0	0	0	0	0	32	37	0	0	0	2	0
Total	914	1072	1274	1484	1675	1839	2152	2367	2625	3240	3612	4075	4210
Acquired Physicians													
Neonatal Care	26	37	7	35	11	14	0	73	6	10	3	20	36
Pediatric	11	6	32	45	12	35	36	10	4	3	13	4	6
Maternal	0	0	0	0	0	0	0	0	0	0	0	1	0
Anesthesiology	0	0	56	24	123	98	191	118	175	190	254	0	0
Radiology	0	0	0	0	0	0	0	0	0	350	0	284	52
Other	0	3	0	0	5	0	0	0	0	0	0	1	3
Total	37	46	95	104	151	147	227	201	185	553	270	310	97
Net Physician Additions and Losses													
Neonatal Care	95	27	49	49	29	14	4	-23	24	10	27	25	59
Pediatric	12	6	-8	11	13	-20	17	0	41	32	24	17	26
Maternal	-6	29	34	25	4	18	10	0	45	10	15	54	40
Anesthesiology	0	53	32	21	-1	5	23	32	0	10	-14	10	-85
Radiology	0	0	0	0	0	0	0	0	0	0	50	46	3
Other	0	-3	0	0	-5	0	32	5	-37	0	0	1	-5
Total	101	112	107	106	40	17	86	14	73	62	102	153	38
Net Physician Additions and Losses	13%	12%	10%	8%	3%	1%	5%	1%	3%	2%	3%	4%	1%

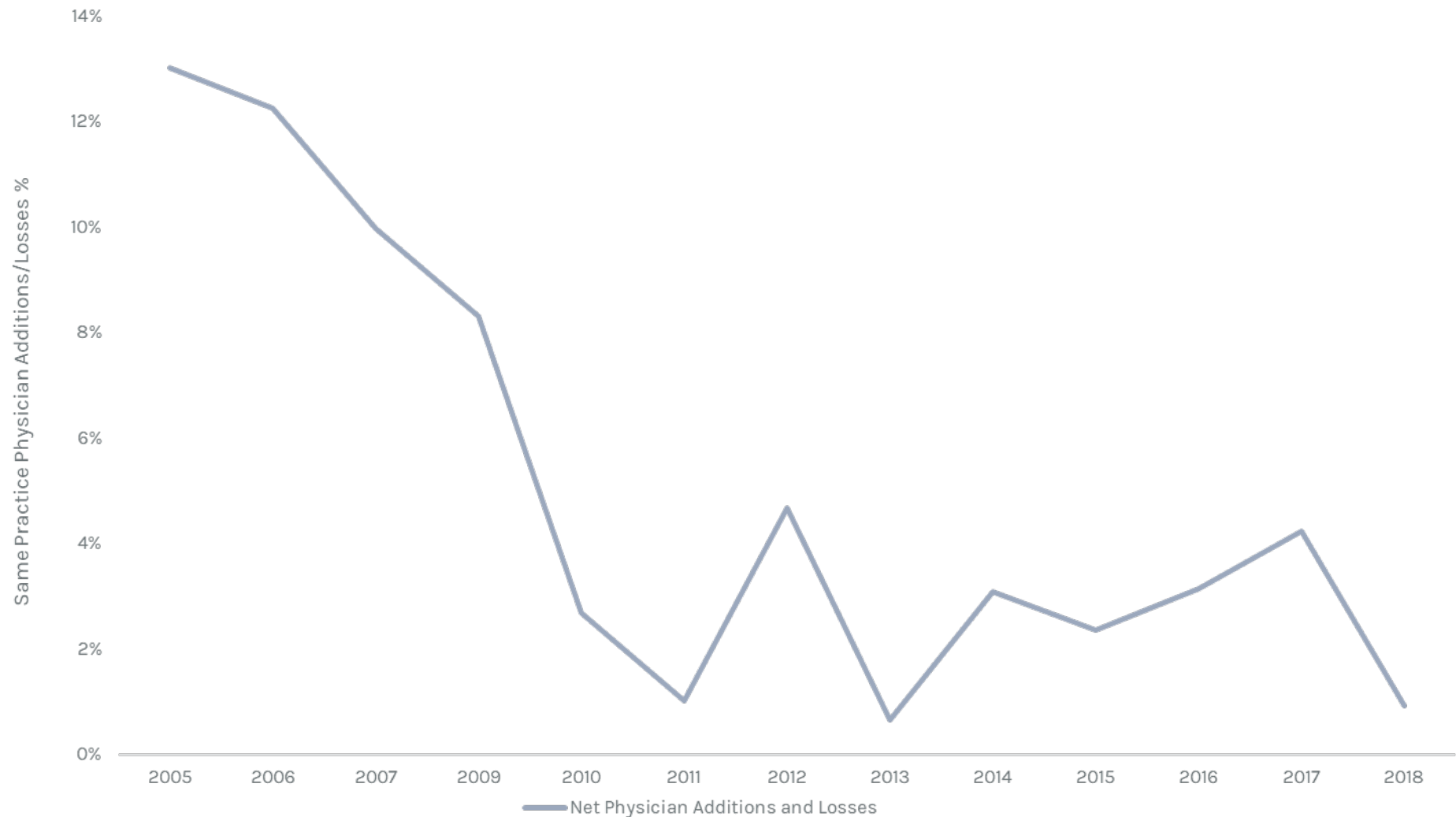
After an acquisition, Mednax adds physicians to the same practice units which then contribute to same unit volume.

Acquired practices add to same unit pricing as acquired practices are brought onto Mednax managed care contracts. This 'rate lift' runs out over the 2-3 year contract length.

Over the last decade Mednax has added 1% to 4% each year to the same practice headcount.

Non-acquired physician growth

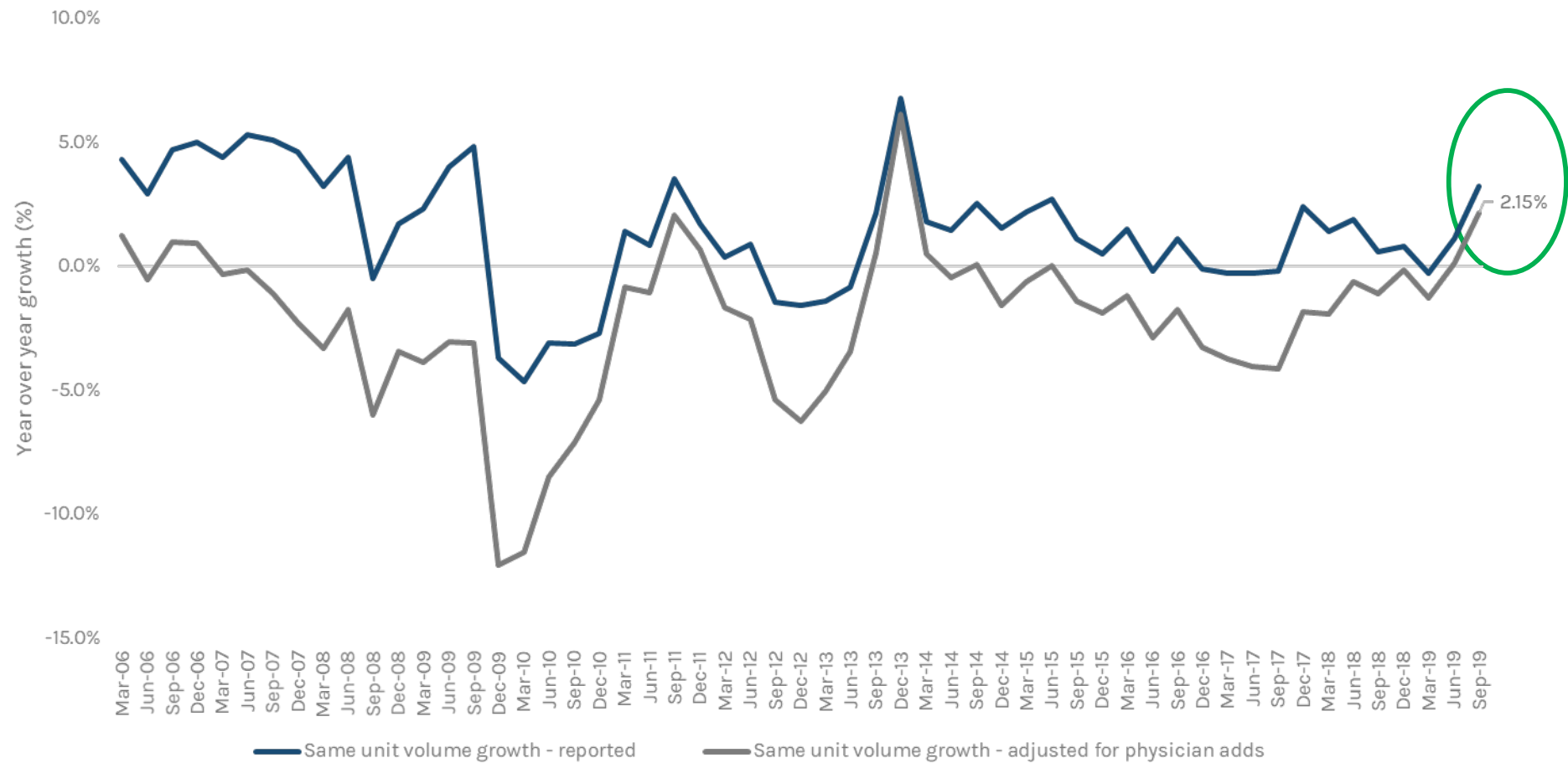
Mednax counts doc added to same unit practices as organic



In 2009, the total number of physicians added through acquisitions totaled 104 physicians. However filings show physician counts increased by 210, implying an additional 106 physicians were added to same unit practices and subsequently rolled into same unit volume growth.

Same unit volume adjusted

Worse than it looked in 2009, better than it seems in 3Q19



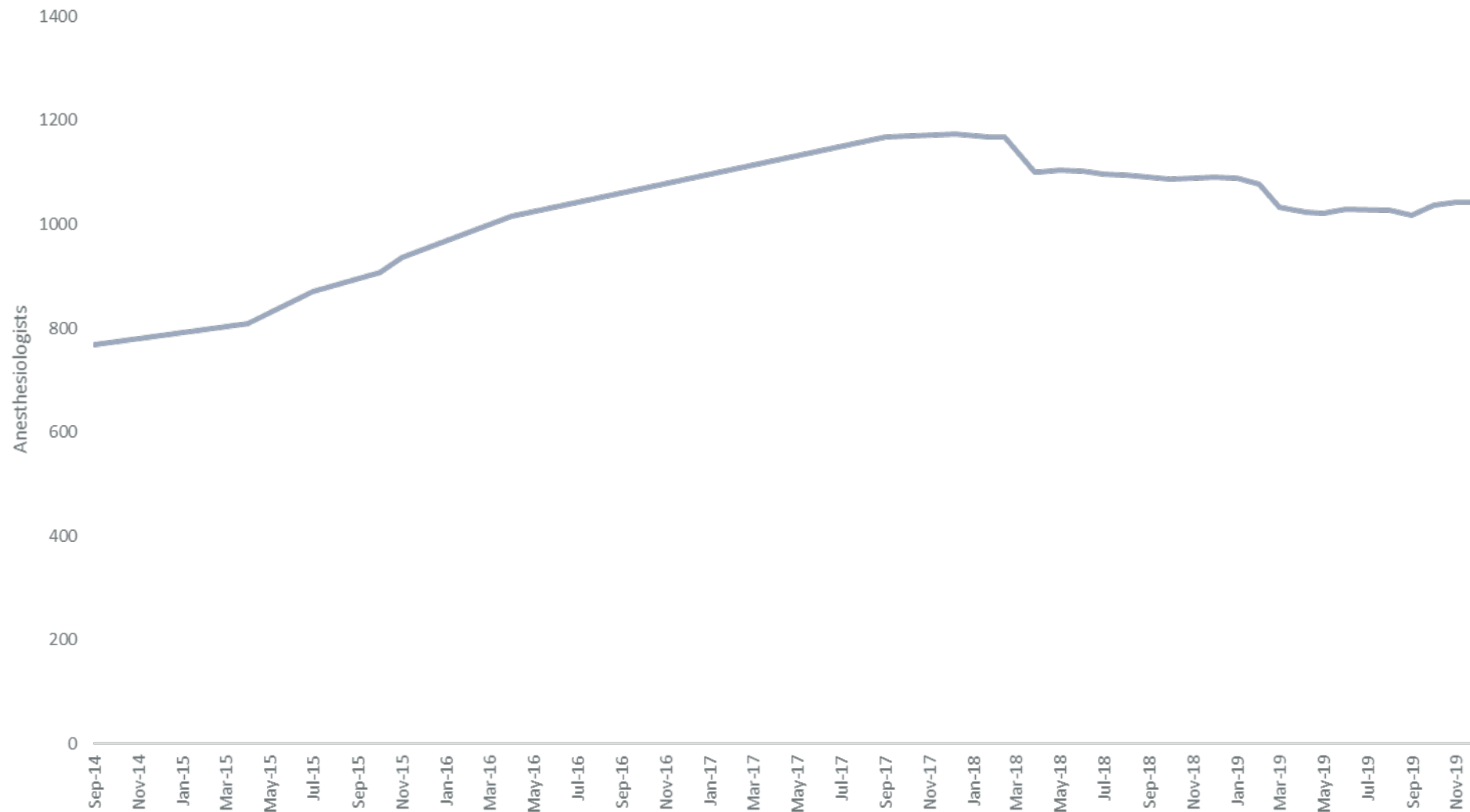
Adjusted for physician additions to the same units, Mednax reported growth has been substantially worse than reported same unit volume growth.

We are optimistic that same unit growth in 3Q19, both reported and adjusted, are likely to continue for the next few quarters.

As real growth was negative through 2015-2018, Mednax added billing physicians and encumbered revenue with ever greater headcount costs.

Anesthesiology

Mednax mix of Anesthesiology is declining

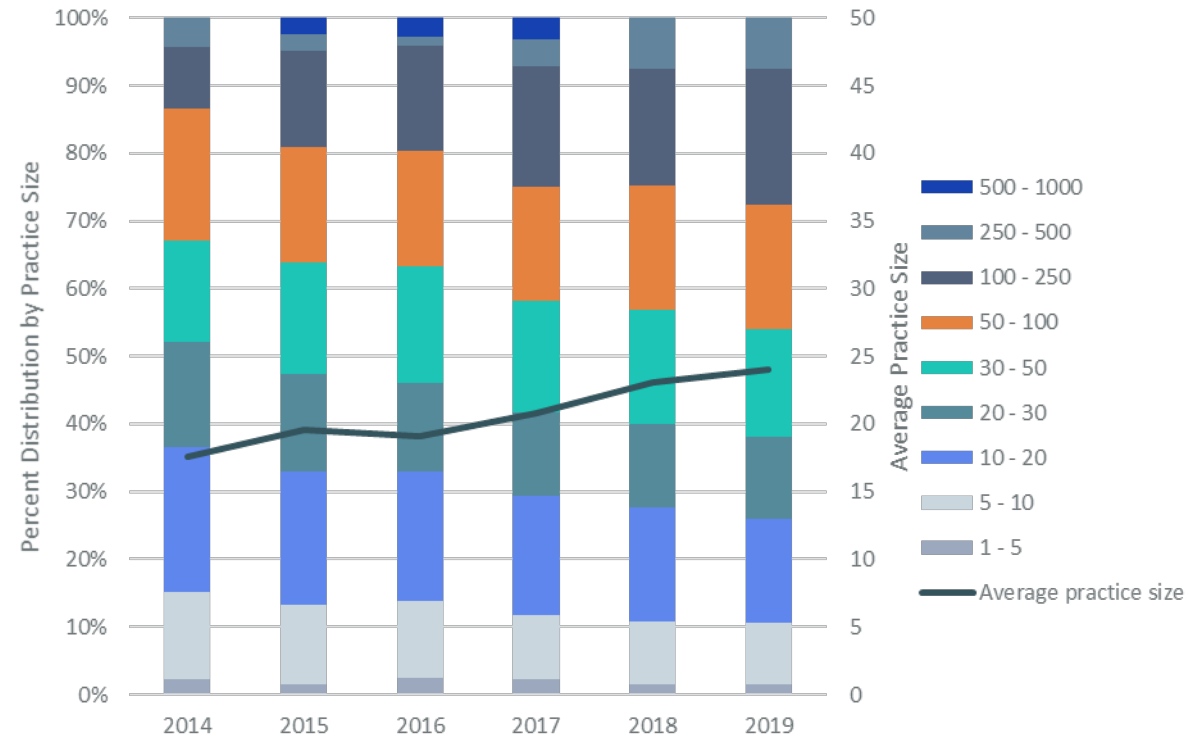
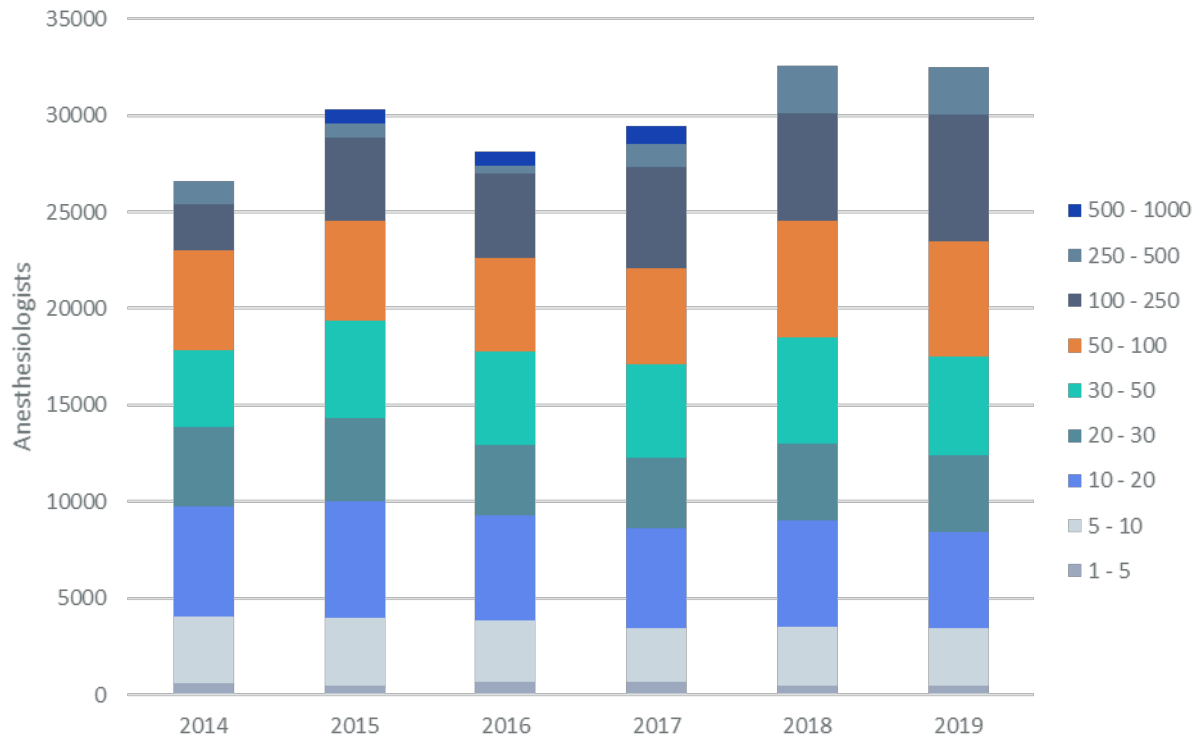


We suspect that much of the margin decline at Mednax has occurred within American Anesthesiology and related practices.

This data series tracks the count of Anesthesiologists at practices we've identified as Mednax affiliates.

CMS updates the underlying data continuously and we query our internal data base collected monthly.

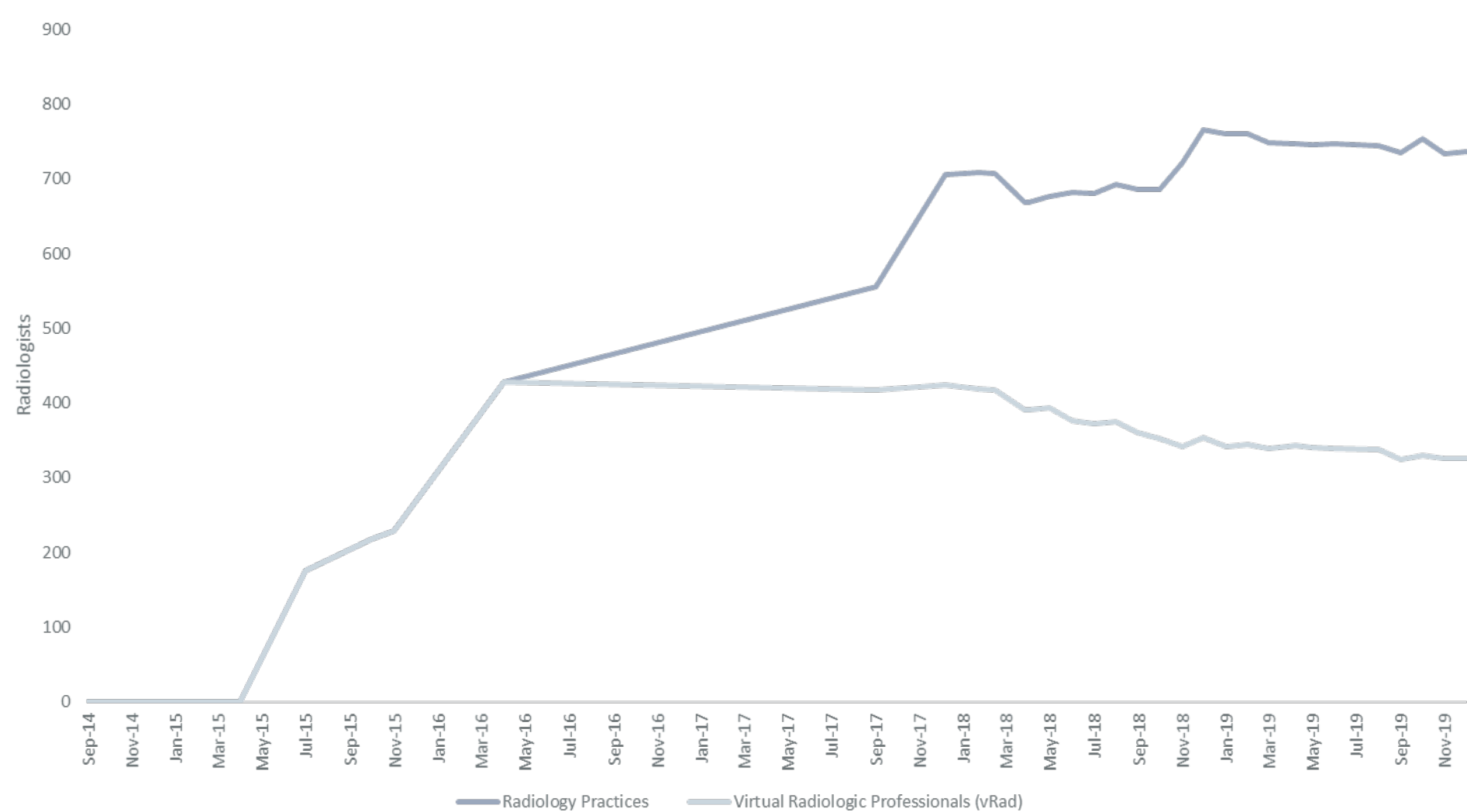
Practice size continues to increase



The average practice size in Anesthesiology continues to rise. Compared to Hospitals, Managed Care, Medical Laboratories, Pharmaceutical companies, Physicians remain largely unconsolidated.

Radiologists at Mednax

vRad acquired in 2015



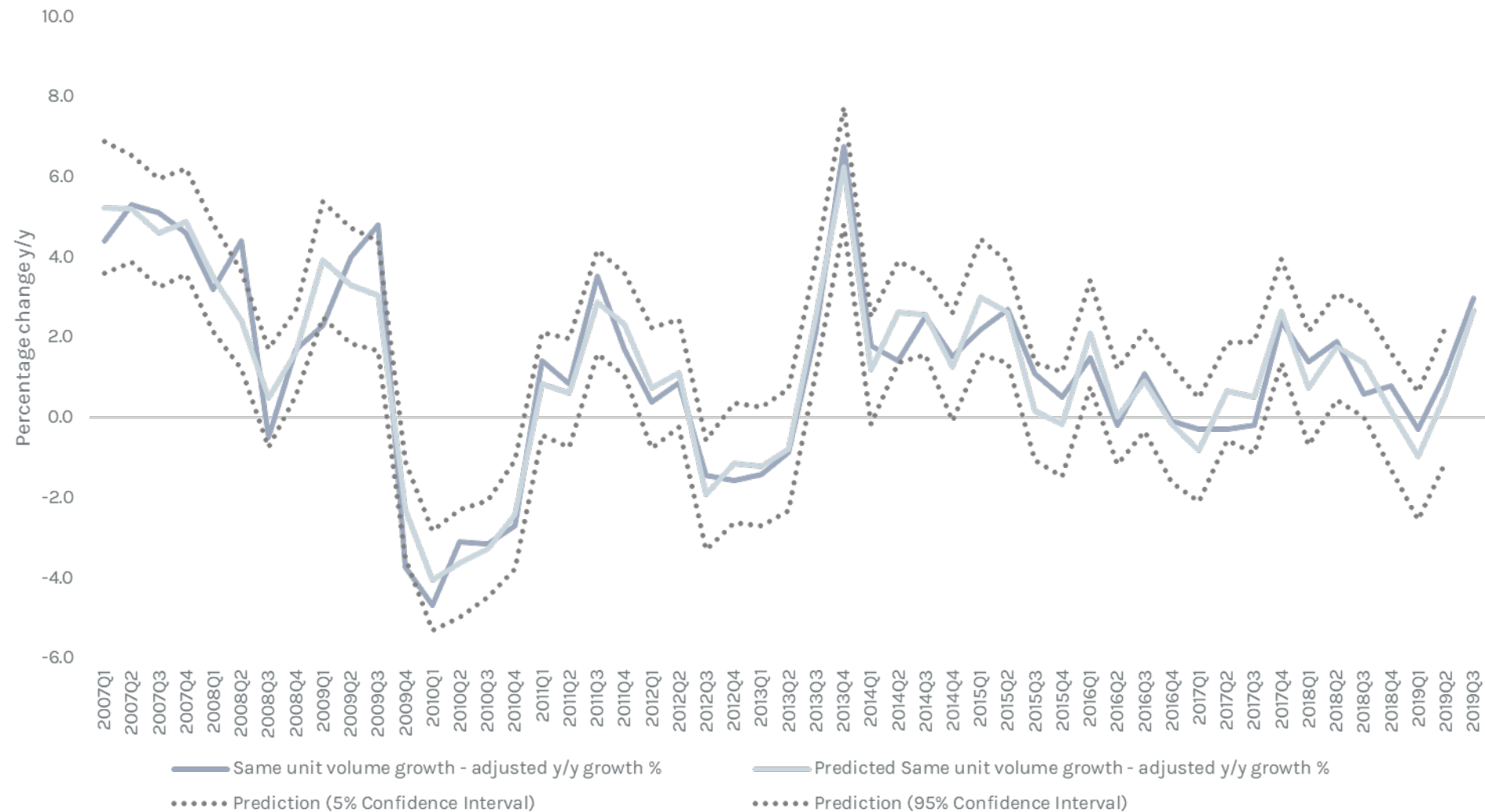
Mednax purchased vRad in 2015. It does not appear they ever hit their target for 500 docs within the virtual practice.

Brick and mortar acquisitions are the key to the stock, in our view.

This data series tracks the count of Radiologists at practices we've identified as Mednax affiliates.

Forecast algorithm for same unit volume

Same unit volume adjusted for net additions of physicians existing practices



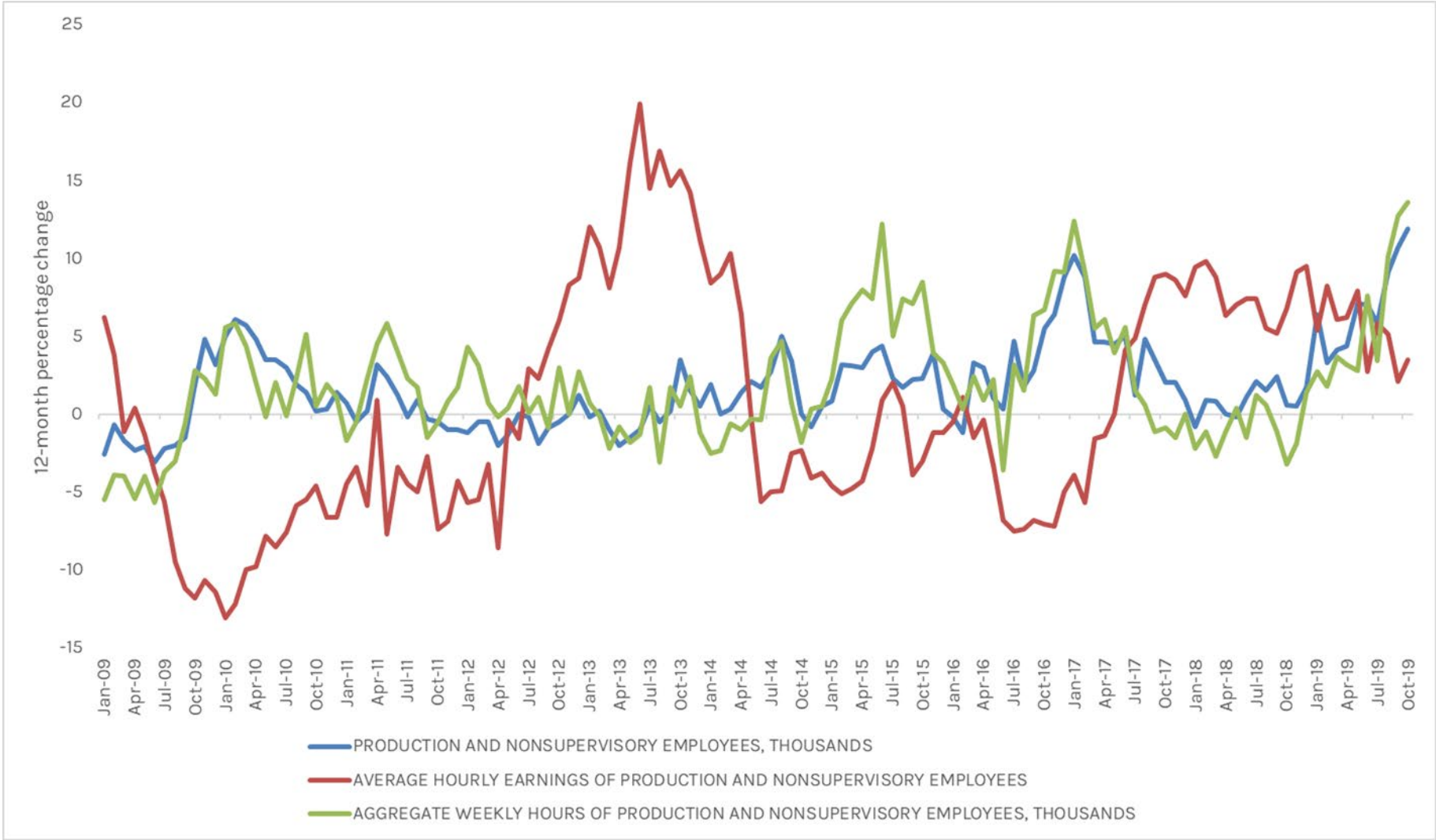
We've been refining a process to forecast key drivers of company results based on publicly available data.

Mednax same unit volume is adjusted for same practice physician net gain and losses.

We had success with this method in terms of direction and magnitude and have made several enhancements to the process.

Diagnostic Radiology Market Trends

Employment, Aggregate Hours, Hourly Earnings



Radiology as a percentage of total billing physicians and revenue is large enough in 2019 and 2020 to make a significant contribution to growth.

Assuming patients demand is driving employment and aggregate hours, then the 3Q19 result is likely to persist into 4Q19 and at least through 1H20.

Key estimates and outlook

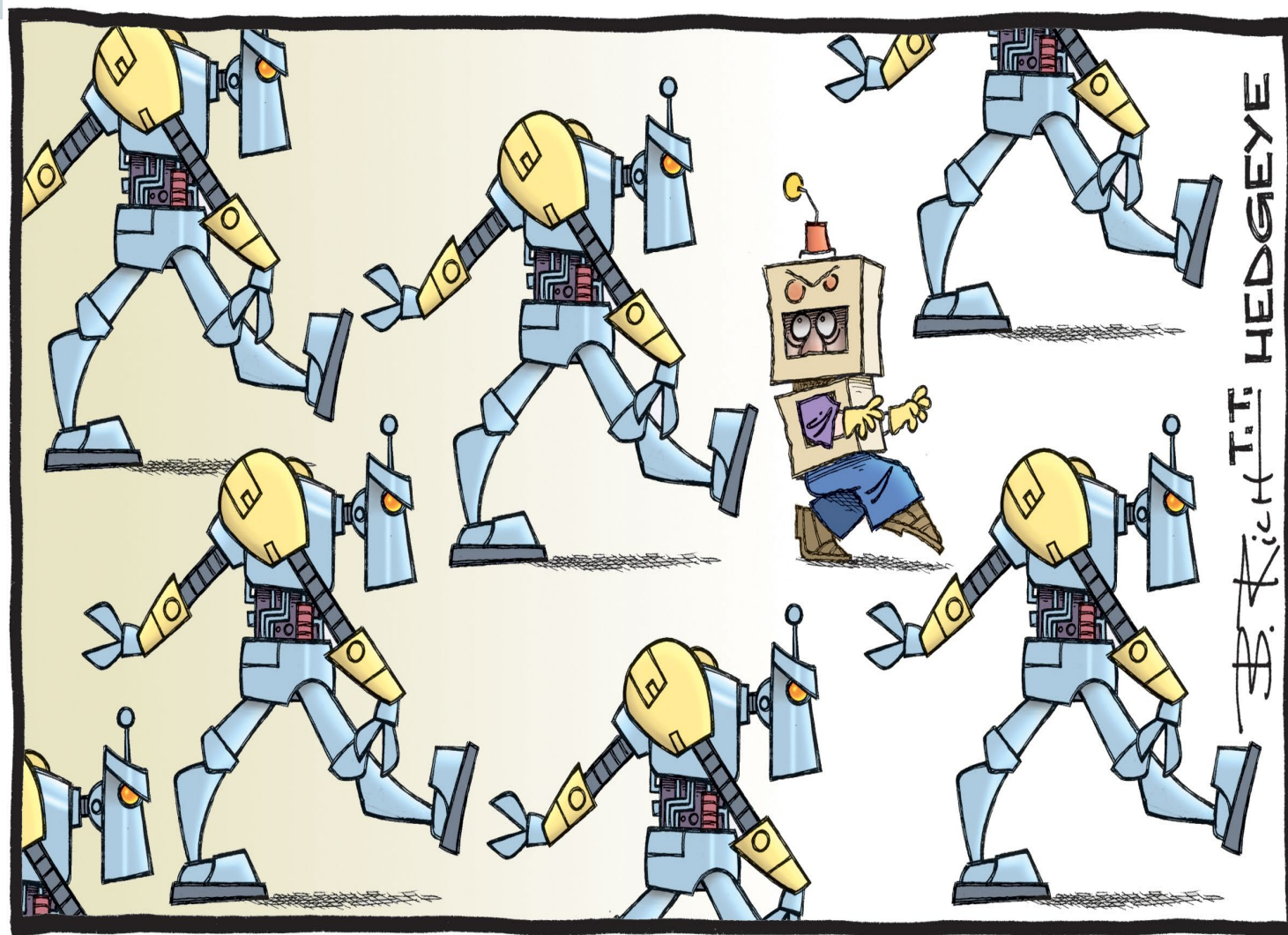
\$600M in EBITDA and a \$44 stock appears within reach

	FY2017	FY2018	Q1-2019	Q2-2019	Q3-2019	Q4-2019	FY2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020	FY2020	FY2021	FY2022	FY2023
Growth Analysis															
Total Revenue Growth, %	8.6%	5.5%	-0.2%	0.4%	4.7%	4.9%		4.8%	4.7%	5.8%	5.7%		10.0%	10.0%	10.0%
Same-unit Revenue attributable to Patient Volume, %	0.3%	1.2%	-0.3%	1.1%	3.2%	3.4%		3.3%	3.2%	2.8%	2.7%		3.5%	3.5%	3.5%
Same-unit Revenue from Net Reimbursed-related Factor, %	0.4%	1.5%	1.3%	0.5%	1.0%	1.0%		1.0%	1.0%	1.0%	1.0%		1.0%	1.0%	1.0%
Same-unit Revenue Growth, %	0.7%	2.7%	1.0%	1.6%	4.2%	4.4%		4.3%	4.2%	3.8%	3.7%		4.5%	4.5%	4.5%
Revenue from Acquisitions Growth, %	7.9%	2.8%	-1.2%	-1.2%	0.5%	0.5%		0.5%	0.5%	2.0%	2.0%		4.0%	4.0%	4.0%
Radiology contribution			0.33%	0.54%	1.05%	1.44%		1.30%	1.17%	0.78%	0.65%		1.00%	1.00%	1.00%
Non-radiology			-1.60%	-0.45%	1.10%	1.00%		1.00%	1.00%	1.00%	1.00%		1.00%	1.00%	1.00%
Non-acquired physician growth			0.97%	1.01%	1.05%	1.00%		1.00%	1.00%	1.00%	1.00%		1.50%	1.50%	1.50%
Same-unit Revenue attributable to Patient Volume, %			-0.3%	1.1%	3.2%	3.4%		3.3%	3.2%	2.8%	2.7%		3.5%	3.5%	3.5%
Total Revenue, mm	3,458.3	3,647.1	851.2	868.3	888.7	926.3	2,608.2	892.0	908.9	940.0	978.6	3,719.6	4,091.5	4,500.7	4,950.8
Practice Salaries and Benefits Margin, %	67.6%	69.5%	73.0%	70.1%	70.9%	70.4%	71.1%	73.0%	70.1%	70.9%	69.5%	70.9%	70.4%	69.9%	69.4%
Adjusted EBITDA		568.9	104.9	131.0	132.7	136.6	505.2	112.9	138.3	139.3	152.7	543.2	628.1	716.7	816.8
Consensus Estimates - Adjusted EBITDA						130.7	496.6	106.3	129.1	128.6	128.7	493.9	501.1	N/A	N/A

		EBITDA				
EV/EBITDA		496	525	550	575	600
	8.0	24.66	27.33	29.64	31.95	34.26
	8.5	27.52	30.36	32.82	35.27	37.72
	9.0	30.38	33.39	35.99	38.59	41.19
	9.5	33.24	36.42	39.17	41.91	44.65
		-12%	Bear		Bull	60%

We’ve modeled in the contribution from Radiology, non-radiology, and non acquired physician growth. Modest gains in Practice Salaries and Benefits are the estimate with the largest impact on the estimates. Assuming the company can generate \$600M in EBITDA, which could be evident by mid to late 2020, shares should trade into the \$40s.

Policy



Federal “Surprise Billing” Legislation

Applicability

- Applies to all insurer types including individual and group, regardless of insured or self-insured
- Applies to emergency services and “ancillary” hospital services: anesthesiology, pathology, radiology, neonatology

Patient Responsibility

- Patient subject to cost-sharing as if service was delivered in-network
- Plan covers service as if in-network and applies cost-sharing to deductibles as appropriate

Provider Reimbursement

- Default price paid by plan to provider would be plan’s median in-network rate for same service
- Possible dispute resolution process for bills over \$750/\$1250

Timing

- Mostly effective in 2021 Plan Year
- Consideration deferred until May 2020

Physician Practice Management Companies

Mednax
(2018)

- Neonatology (36%)
- Anesthesiology (35%)
- Radiology (12%)

TeamHealth
(2015)

- Emergency Room Staffing (67%)
- IPC Services (17%)
- Anesthesiology (11%)
- Hospital Care (11%)

Envision
(2016)

- Emergency Room Staffing and Hospital Care (59%)
- Anesthesiology (29%)
- Radiology (5%)

[1] Screening

- Triggered when patient “comes to the emergency room”
- Requires “appropriate” medical screening exam
 - Could include patient in-route in hospital owned ambulance

[2] Stabilization

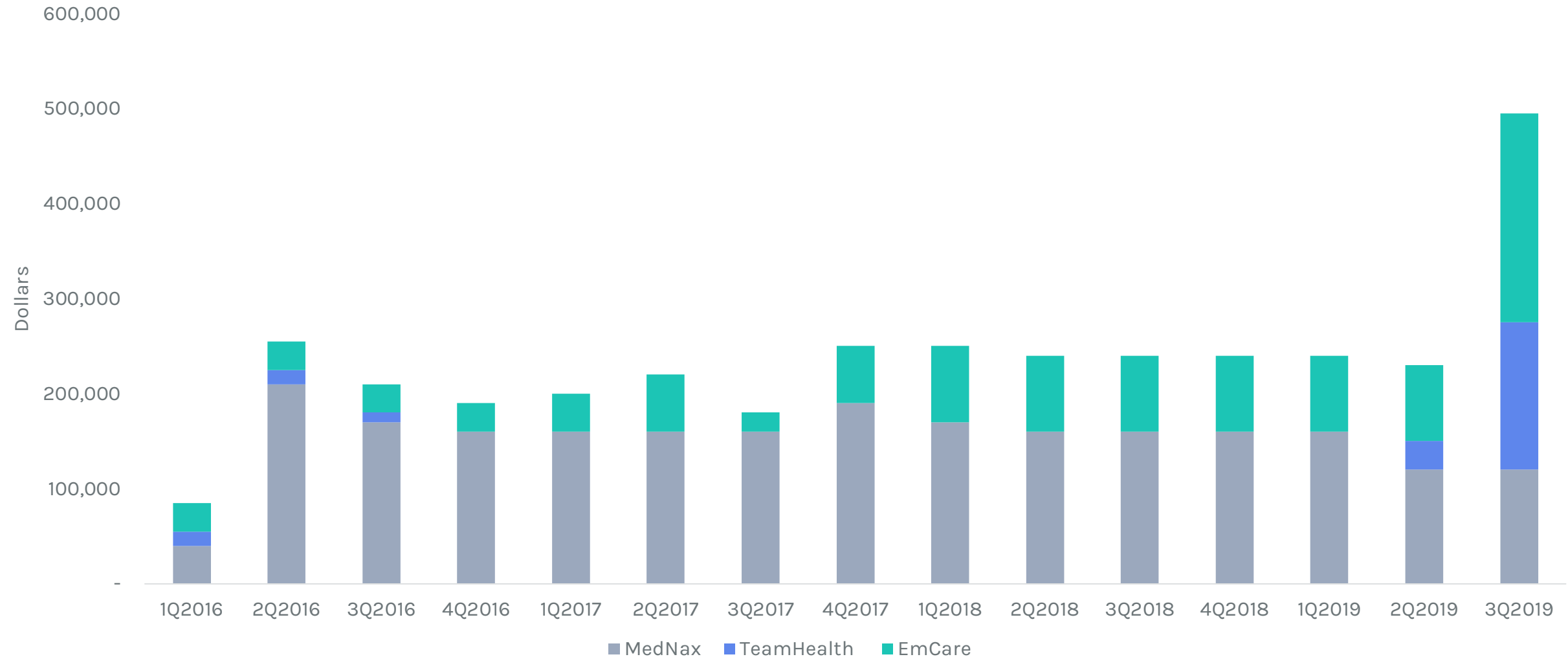
- Triggered when hospital discovers patient has an emergency medical condition
- If hospital fails to accurately detect an emergency medical condition, EMTALA does not apply
- Stabilization means
 - (1) when there is a reasonable assurance that no material deterioration would result from that individual’s transfer or discharge from the hospital or,
 - (2) in the case of women in labor, after delivery of the child and placenta

[3] Applicability

- Applies to hospital not physicians that work there
- Applies to hospitals that participate in Medicare; AND
- Maintain an emergency room
- Hospitals that do not have an emergency room are not required to screen and stabilize
- Emergency rooms not associated with a hospital are not subject to EMTALA

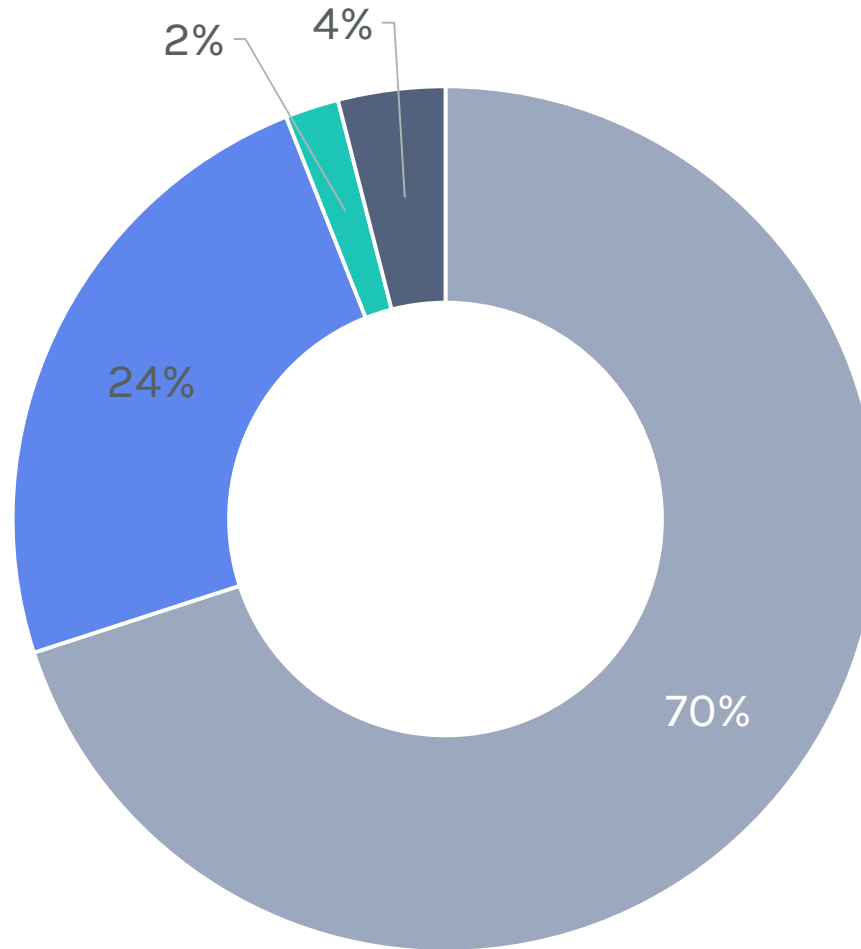
Federal Lobbying Expenditure

TeamHealth and EmCare look worried; MD not so much



Mednax 2018 Revenue Mix

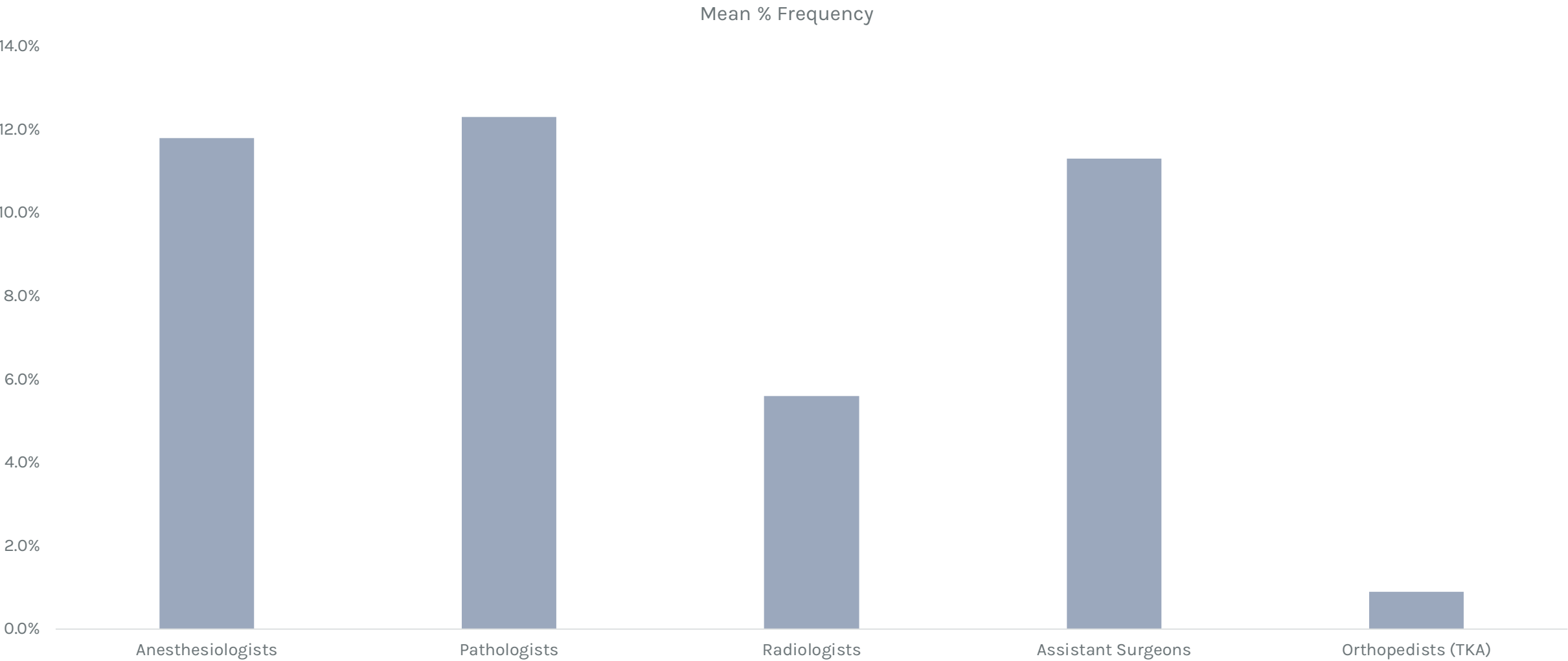
70% is contracted managed care



- Contracted Managed Care
- Government (Medicare & Medicaid)
- Self-Pay
- Other third-parties

Frequency of OON Billing at In-network Hospitals

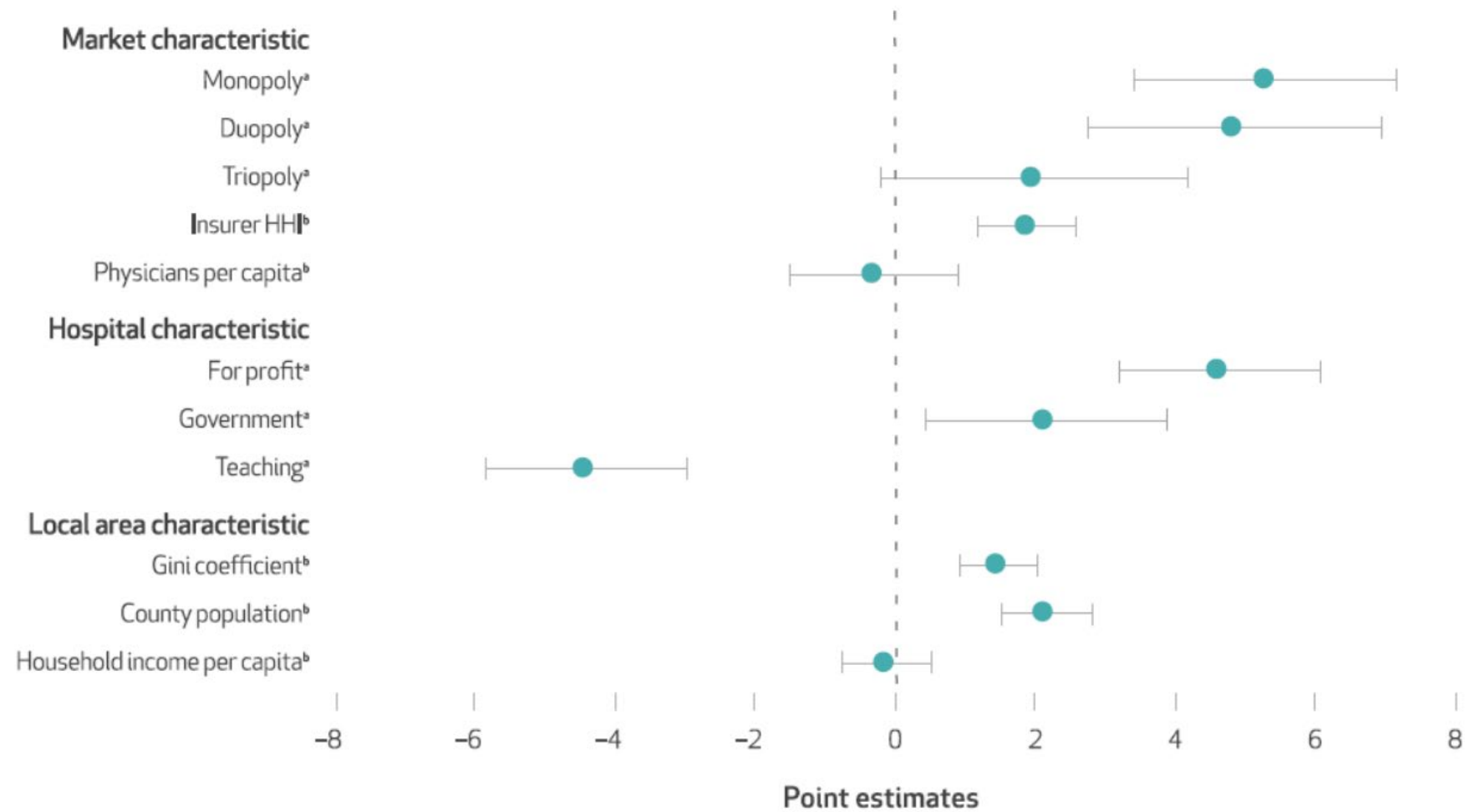
Excludes Emergency Department Billing



Profile of Markets with OON Billing

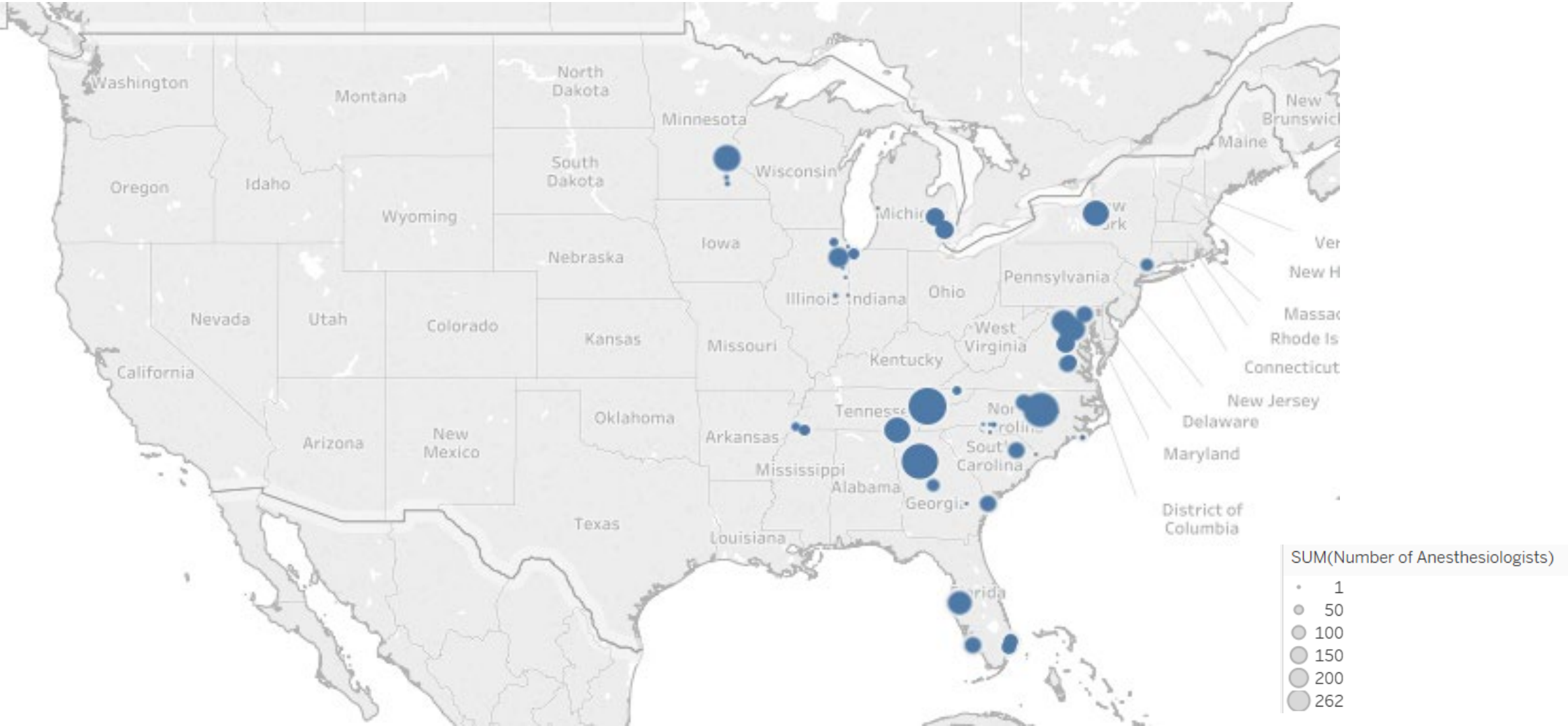
Most frequently occurs with hospital monopolies or near monopolies and with for-profit

Correlations between hospitals' selected characteristics and frequency of out-of-network billing



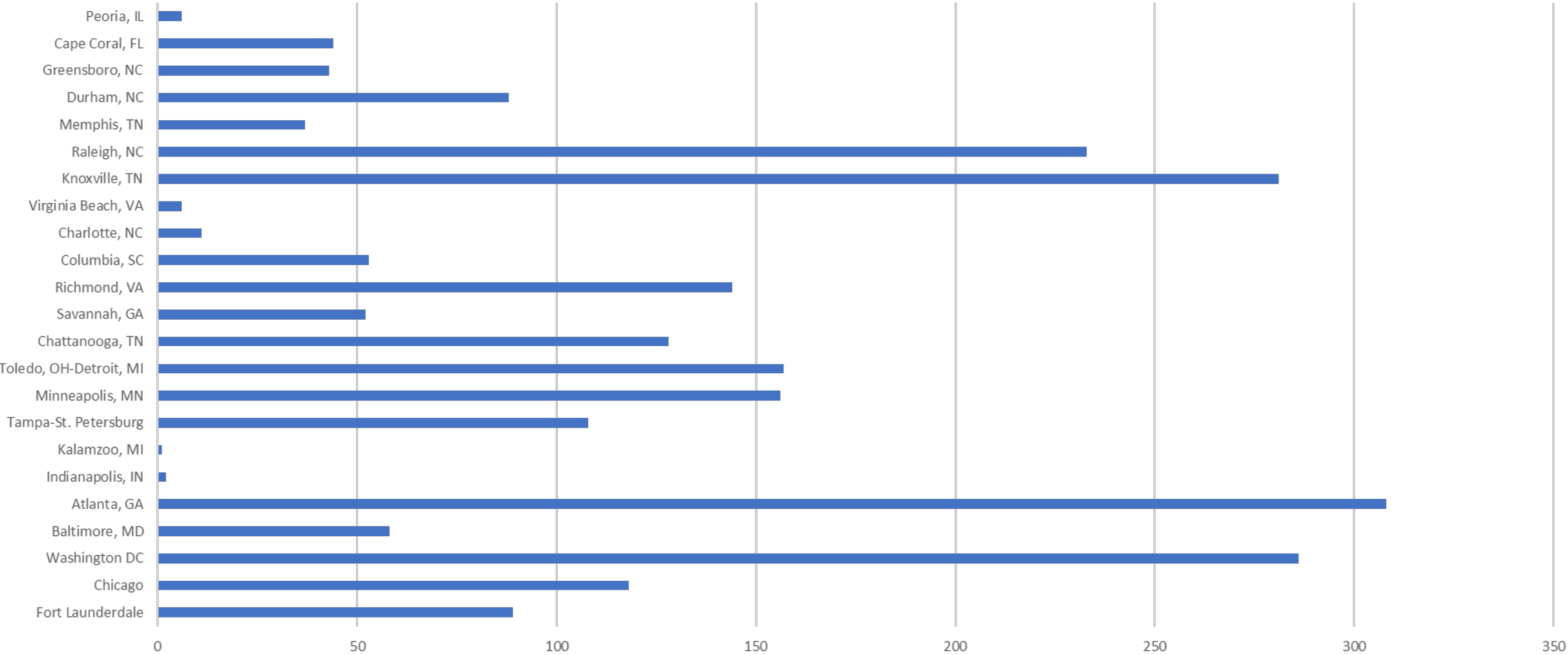
MD Anesthesiologist

Geographical Concentration



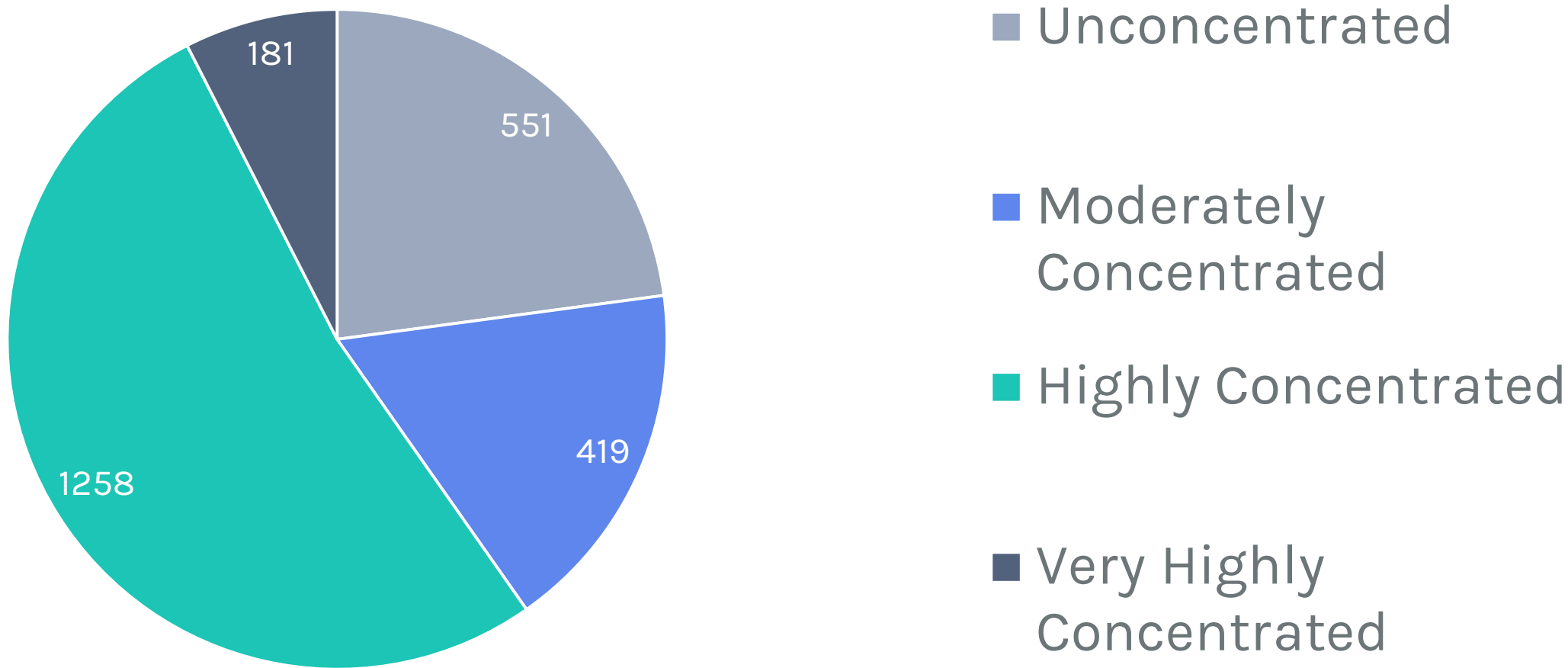
Hospital Market Concentration

MD Anesthesiology Markets Ranked by Metro HHI



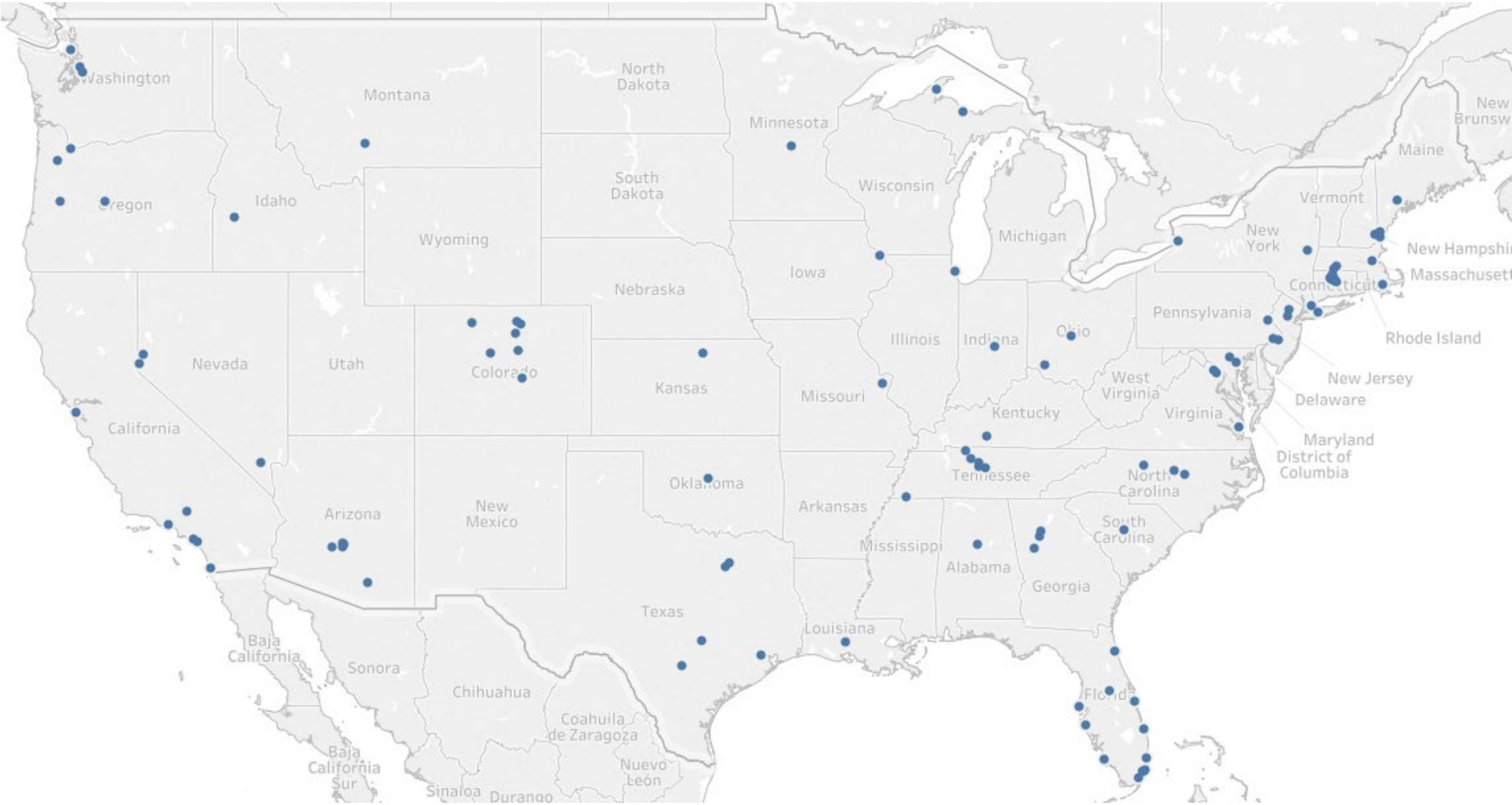
Distribution of MD Anesthesiologist by Market Type

About half work in highly concentrated markets



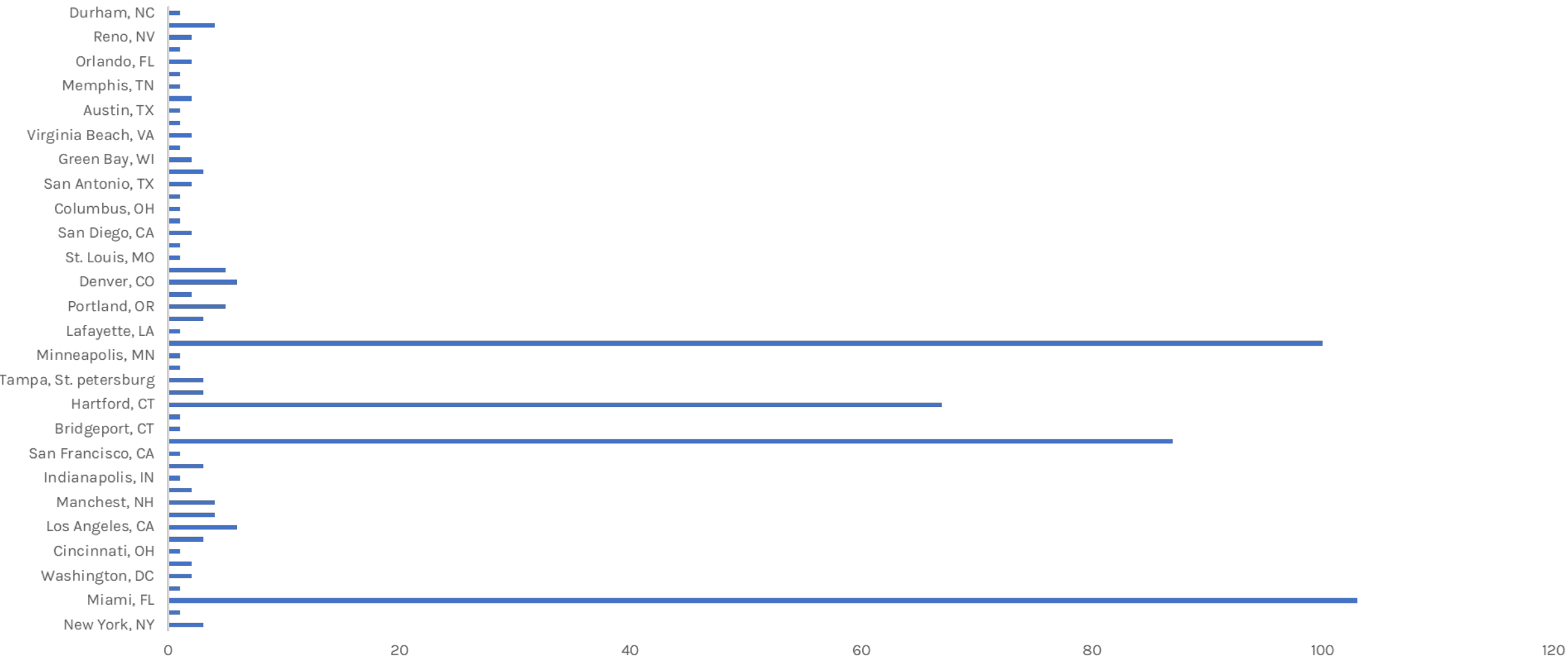
MD Radiologists

More Geographically Diverse with limited concentration

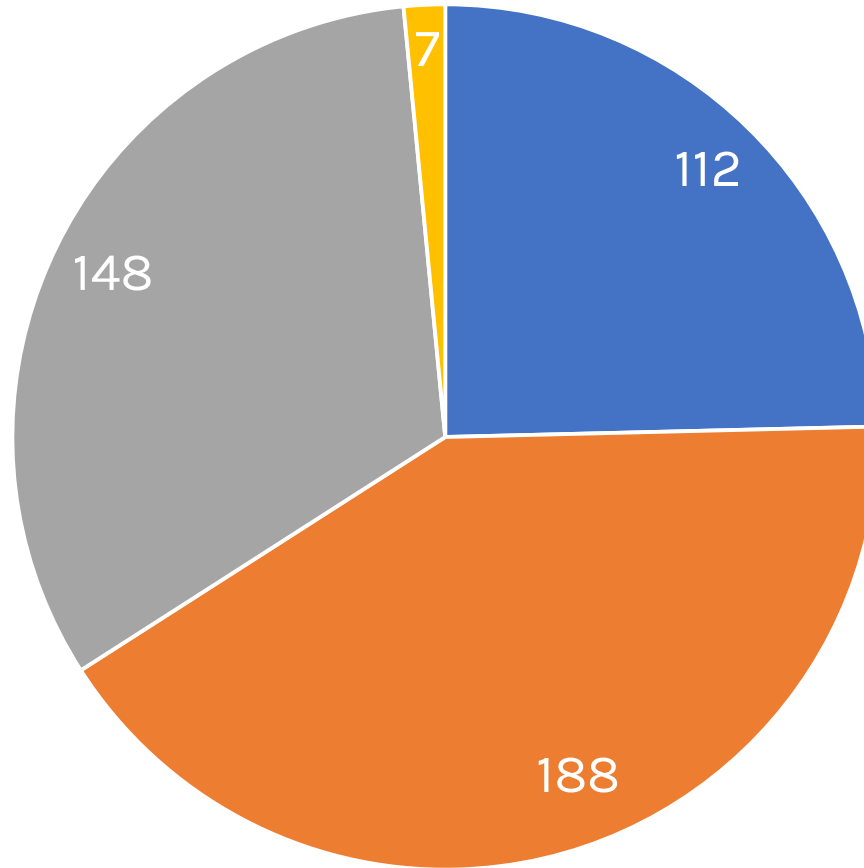


Hospital Market Concentration

MD Radiology Markets Ranked by Metro HHI

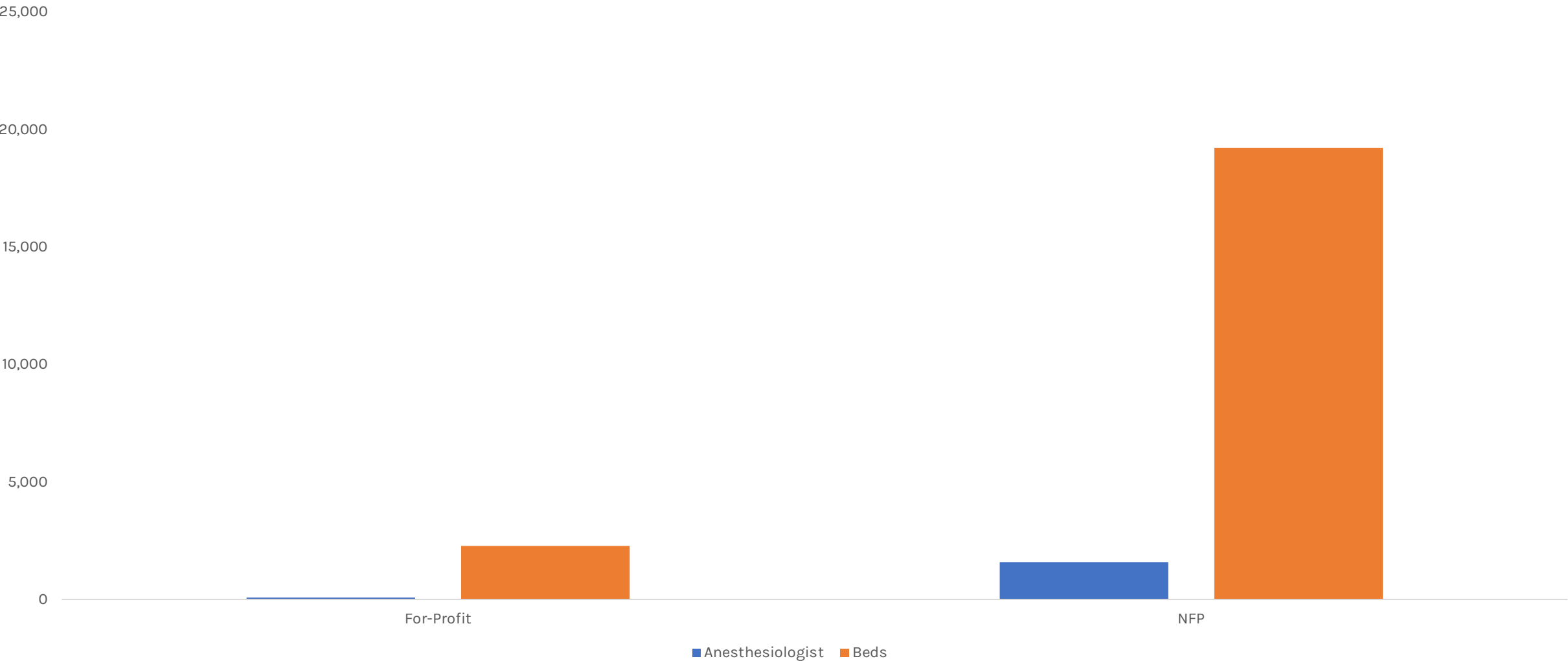


Radiologists and Market Concentration



- Unconcentrated
- Moderately Concentrated
- Highly Concentrated
- Very Highly Concentrated

MD's Hospital Type Concentration



MD v PhyCor

PPM 2.0 or history repeating itself?



- Focused on three specialties with limited market power: Neonatology, Anesthesiology and Radiology
- Negotiates variety of payment approaches including FFS, HMO and PPO
- Two layers of non-competes: one with contracted hospital and one between MD and physician/CRNA; no buy-out



- Established in response to managed care pressures of 1990s
- Rolled-up multi-specialty clinics including primary care and medical specialty under 40 year contracts
- Negotiated capitated arrangements with payers
- Difficulty managing clinics created pivot to PPM in late 1990s
- PPM arrangements included a \$150,000 buyout of non-compete

Practice Acquisition by Hospitals

[1] 340B Drug Discount

- Allows NFP hospitals to purchase drugs at a discount, be reimbursed at normal rate and keep the delta
- In 2018, CMS changed reimbursement for Medicare drugs from ASP+6% to ASP-22.5% applied in a budget neutral way
- 340B encourages hospitals to acquire physicians practices especially when high priced drugs are involved

[2] Interoperability

- Large hospitals systems, especially elite academic research centers use data blocking strategies and indifference to limit access to records
- Pending rules would end many of the practices that limited physician access

[3] Site Neutral Payments

- In 2015, Congress required site neutral payments for certain clinic codes to be paid on a site neutral basis
- Law went into effect in FY2017
- CMS extended to other codes in FY2019.
- Lawsuit pending

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