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INTEGRAMED AMERICA INC
Form 10-Q
November 13, 2003

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

FORM 10-Q

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

For the quarterly period ended September 30, 2003

OR

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

For the transition period from to

Commission File No. 0-20260

IntegraMed America, Inc.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

06-1150326
(I.R.S. employer identification no.)

Two Manhattanville Road
Purchase, New York
(Address of principal executive offices)

10577
(Zip code)

(914) 253-8000
(Registrant's telephone number, including area code)

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 is an accelerated filer (as defined in Exchange Act Rule 12 b-2).

Yes No

The aggregate number of shares of the Registrant's Common Stock, \$.01 par value, outstanding on November 3, 2003 was 3,454,697.

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INTEGRAMED AMERICA, INC.
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Item 1. Consolidated Financial Statements

INTEGRAMED AMERICA, INC.
CONSOLIDATED BALANCE SHEETS
(all dollars in thousands, except per share amounts)
ASSETS

	September 30,	Decem
	2003	
	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 12,943	\$
Due from Medical Practices, net	7,171	
Pharmaceutical sales accounts receivable	1,109	
Prepays and other current assets	2,257	
	23,480	1
Total current assets		
Fixed assets, net	7,454	
Exclusive Service Rights, Net	20,747	1
Deferred taxes	3,560	
Other assets	292	
	\$ 55,533	\$ 4
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,487	\$
Accrued liabilities	5,777	
Current portion of long-term notes payable and other obligations	1,211	
Patient deposits	9,846	
	18,321	1
Total current liabilities		
Long-term notes payable and other obligations	4,313	
Commitments and contingencies		
Stockholders' Equity:		
Common Stock, \$.01 par value - 50,000,000 shares authorized in 2003 and 2002; and 3,544,292 and 3,353,884 shares issued in 2003 and 2002, respectively ..	35	4
Capital in excess of par	48,172	(1
Accumulated deficit	(14,882)	(1
Treasury Stock, at cost - 89,595 and 0 shares in 2003 and 2002, respectively	(426)	
	32,899	3
Total stockholders' equity		
Total liabilities and stockholders' equity	\$ 55,533	\$ 4
	=====	=====

See accompanying notes to the consolidated financial statements.

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INTEGRAMED AMERICA, INC.
CONSOLIDATED STATEMENTS OF INCOME
(all amounts in thousands, except per share amounts)

	For the three-month period ended September 30,		For the nine-month period ended September	
	2003	2002	2003	2002
	(unaudited)		(unaudited)	
Revenues, net:				
FertilityPartners Service Fees	\$ 17,762	\$ 17,159	\$ 55,533	\$ 49,111
Pharmaceutical sales	3,553	5,699	12,846	14,111
FertilityDirect revenues	942	415	2,089	1,111
Total revenues	22,257	23,273	70,468	64,333
Cost of services and sales:				
FertilityPartners Service Fees	15,591	14,734	48,715	42,111
Pharmaceutical costs	3,440	5,482	12,500	13,111
FertilityDirect costs	577	316	1,333	1,111
Total costs of services and sales	19,608	20,532	62,548	57,333
Contribution:				
FertilityPartners Service Fees	2,171	2,425	6,818	6,111
Pharmaceutical contribution	113	217	346	311
FertilityDirect contribution	365	99	756	1,111
Total contribution	2,649	2,741	7,920	7,533
General and administrative expenses	2,233	2,238	6,668	5,111
Interest income	(33)	(21)	(77)	111
Interest expense	22	40	54	111
Total other expenses	2,222	2,257	6,645	6,111
Income before income taxes	427	484	1,275	1,111
Income tax provision	166	159	497	111
Net income	\$ 261	\$ 325	\$ 778	\$ 1,111
Less: Dividends paid and/or accrued on Preferred Stock	--	3	--	111
Net income applicable to Common Stock	\$ 261	\$ 322	\$ 778	\$ 1,111
Basic earnings per share of Common Stock	\$ 0.08	\$ 0.10	\$ 0.23	\$ 0.11
Diluted earnings per share of Common Stock	\$ 0.07	\$ 0.09	\$ 0.22	\$ 0.11
Weighted average shares - basic	3,448	3,270	3,399	3,111

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Weighted average shares - diluted	=====	=====	=====	=====
	3,643	3,565	3,564	3
	=====	=====	=====	=====

See accompanying notes to the consolidated financial statements.

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INTEGRAMED AMERICA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(all amounts in thousands)

	Fo nine-mo ended S ----- 2003 ----- (un
Cash flows from operating activities:	
Net income	\$ 778
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	2,441
Amortization of deferred tax asset	420
Change in assets and liabilities -- Decrease (increase) in assets:	
Due from Medical Practices	(1,874)
Pharmaceutical sales accounts receivable	528
Prepays and other current assets	604
Other assets	407
Increase (decrease) in liabilities:	
Accounts payable	664
Accrued liabilities	(669)
Patient deposits	2,638
Net cash provided by operating activities	5,937
Cash flows used in investing activities:	
Payment for Exclusive Service Rights	(2,232)
Proceeds from sale of fixed assets	380
Proceeds from sale of intangible assets	136
Purchase of fixed assets and leasehold improvements	(4,256)
Net cash used in investing activities	(5,972)
Cash flows used in financing activities:	
Increase in notes payable	5,750
Principal repayments on debt	(1,598)
Principal repayments under capital lease obligations	(38)
Proceeds from issuance of Common Stock	171

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Repurchase of preferred stock	--
Dividends paid on Convertible Preferred Stock	--

Net cash used in financing activities	4,285

Net change in cash	4,250
Cash at beginning of period	\$ 8,693

Cash at end of period	\$ 12,943
	=====

See accompanying notes to the consolidated financial statements.

INTEGRAMED AMERICA, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (unaudited)

NOTE 1 -- INTERIM RESULTS:

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, accordingly, do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying unaudited interim financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position at September 30, 2003, and the results of operations and cash flows for the interim periods presented. Operating results for the interim period are not necessarily indicative of results that may be expected for the year ending December 31, 2003. These financial statements should be read in conjunction with the financial statements and notes thereto included in IntegraMed America's (the "Company") Annual Report on Form 10-K for the year ended December 31, 2002.

On November 25, 2002, the Company announced the ending of its FertilityPartners agreement with Reproductive Science Associates of New York ("RSA of New York"). This agreement was scheduled to end on November 15, 2003. RSA of New York serves the Long Island market and the Company's related revenues for the four quarterly periods ending prior to the announcement were \$9.1 million. The program had a contribution of \$750,000 for the same period. At the time of the announcement, the Company evaluated its exclusive business rights asset associated with RSA of New York and reduced that asset to its realizable value by adjusting the asset downward by \$350,000. Based upon subsequent discussions with representatives from RSA of New York, the Company terminated its FertilityPartners agreement effective June 30, 2003. In consideration for the earlier contract termination, the Company recognized as revenue a one-time

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termination payment of approximately \$320,000, and related costs of approximately \$82,000, in the second quarter of 2003. The Company will continue an ongoing relationship with this medical practice under its FertilityDirect program.

On September 1, 2003, the Company signed a FertilityPartners agreement to supply a complete range of business, marketing and facility services to a physician practice in Charlotte, North Carolina. Under the terms of the 15-year agreement, the Company's service fees are comprised of a tiered percentage of revenues, reimbursed costs of services, and a fixed percentage of practice earnings. Net consideration for the agreement was \$2.2 million, which will be amortized against FertilityPartners service fees over the life of the contract. In addition, the Company has agreed to a \$2.0 million capital commitment to fund the growth of the physician practice.

NOTE 2 -- EARNINGS PER SHARE:

The reconciliation of the numerators and denominators of the basic and diluted EPS computations for the three and nine-month periods ended September 30, 2003 and 2002 is as follows (000's omitted, except for per share amounts):

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2003	2002	2003	2002
Numerator				
Net Income	\$ 261	\$ 325	\$ 778	\$ 927
Less: Preferred stock dividends	--	(3)	--	(69)
	\$ 261	\$ 322	\$ 778	\$ 858
Denominator				
Weighted average shares outstanding	3,448	3,270	3,399	3,143
Effect of dilutive options and warrants	195	295	165	293
	3,643	3,565	3,564	3,436
Basic EPS	\$ 0.08	\$ 0.10	\$ 0.23	\$ 0.27
Diluted EPS	\$ 0.07	\$ 0.09	\$ 0.22	\$ 0.25

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INTEGRAMED AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)
(unaudited)

For the three month period ended September 30, 2003, there were no shares excluded from the assumed exercise of options to purchase Common Stock, as the average market price of the Common Stock was greater than the per share exercise price of all outstanding options. For the nine month period ended September 30, 2003, the effect of the assumed exercise of options to purchase approximately 128,000 shares of Common Stock at exercise prices ranging from \$5.98 to \$6.15

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per share were excluded in computing the diluted earnings per share amount because the exercise price of these options was greater than the average market price of the shares of Common Stock, therefore causing these options to be anti-dilutive. For the three and nine month period ended September 30, 2002, the effect of the assumed exercise of options to purchase approximately 42,500 shares of Common Stock at exercise prices ranging from \$6.80 to \$8.57 per share were excluded in computing the diluted per share amount because the exercise price of the options was greater than the average market price of the Common Stock, therefore causing the options to be anti-dilutive.

For the three and nine-month periods ended September 30, 2003, the effect of the assumed exercise of warrants to purchase approximately 106,000 shares of Common Stock at exercise prices ranging from \$6.25 to \$9.00 per share was excluded in computing the diluted per share amount because the exercise prices of the warrants were greater than the average market price of the shares of Common Stock, thereby causing these warrants to be anti-dilutive. For the three and nine-month periods ended September 30, 2002, the effect of the assumed exercise of warrants to purchase approximately 88,000 shares of Common Stock at an exercise price of \$9.00 per share were excluded in computing the diluted per share amount because the exercise prices of the warrants were greater than the average market price of the shares of Common Stock, thereby causing these warrants to be anti-dilutive.

NOTE 3 -- SEGMENT INFORMATION:

The Company is principally engaged in providing products and services to the fertility market. For disclosure purposes, the Company recognizes Business Services offered to its network of FertilityPartners and its pharmaceutical distribution operations as separate reporting segments. The Business Services segment includes revenues and costs categorized as FertilityPartners Service Fees and FertilityDirect Revenues, as follows (000's omitted):

	Corporate -----	Business Services -----	Pharmaceutic Distributio -----
For the three months ended September 30, 2003			
Revenues.....	\$ --	\$18,704	\$3,553
Cost of services.....	--	16,168	3,440
	-----	-----	-----
Contribution.....	--	2,536	113
General and administrative costs.....			
Interest, net.....			
Income before income taxes.....			
Depreciation expense included above.....			
Capital expenditures.....	73	2,991	--
Total assets.....	15,280	39,523	730

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	Corporate -----	Business Services -----	Pharmaceutic Distributio -----
For the nine months ended September 30, 2003			
Revenues.....	\$ --	\$57,622	\$12,846
Cost of services.....	--	50,048	12,500
Contribution.....	--	7,574	346
General and administrative costs.....			
Interest, net.....			
Income before income taxes.....			
Depreciation expense included above.....			
Capital expenditures.....	354	3,902	--
Total assets.....	15,280	39,523	730
For the three months ended September 30, 2002			
Revenues.....	\$ --	\$17,574	\$5,699
Cost of services.....	--	15,050	5,482
Contribution.....	--	2,524	217
General and administrative costs.....			
Interest, net.....			
Income before income taxes.....			
Depreciation expense included above.....			
Capital expenditures.....	9	270	--
Total assets.....	11,460	33,776	2,208
For the nine months ended September 30, 2002			
Revenues.....	\$ --	\$50,132	\$14,363
Cost of services.....	--	43,264	13,818
Contribution.....	--	6,868	545
General and administrative costs.....			
Interest, net.....			
Income before income taxes.....			
Depreciation expense included above.....			
Capital expenditures.....	131	1,400	--
Total assets.....	11,460	33,776	2,208

NOTE 4 -- STOCK-BASED EMPLOYEE COMPENSATION:

The Company has two stock-based employee compensation plans, which are described more fully in Note 12 of the Company's financial statements in its most recent Annual Report on Form 10-K. During the third quarter, the Company adopted the prospective method of accounting for stock based compensation. Prior to the third quarter of 2003, the Company accounted for these plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock option-based employee compensation cost is reflected in net income, as all options granted under the plans had an exercise price equal to the market value of the

underlying Common Stock on the date of grant. The Company adopted the fair value recognition provisions of FAS 148, effective January 1, 2003. Under the prospective transition method selected by the Company, fair value accounting is applied to all new stock grants and modifications to old grants. Disclosure of pro-forma net income and EPS is continued for any pre-adoption grants.

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The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation. (000's omitted, except per share amounts). As of September 30, 2003, there have been no grants issued during the current year.

	For the three-month period ended September 30,	
	2003	2002
Net Income, as reported.....	\$261	\$322
Add: Stock-based employee compensation expense		
Included in reported net income, net of related tax effects.....	--	--
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects.....	(77)	(83)
Pro forma net income.....	184	239
Earnings per share:		
Basic-as reported.....	.08	.10
Basic-pro forma.....	.05	.07
Diluted-as reported.....	.07	.09
Diluted-pro forma.....	.05	.07

Assumptions used to calculate pro forma values include:

	For the three-month period ended September 30,	
	2003	2002
Weighted average fair value of options granted.....	N/A	\$4.59
Dividend yield.....	0.00%	0.00%
Volatility.....	23.60%	75.30%
Risk free rate.....	0.94%	1.06%
Expected term (in years).....	5.4	10

NOTE 5 -- RECLASSIFICATIONS

Certain amounts in the prior year financial statements and related notes have been reclassified to conform to the current period presentation.

NOTE 6 -- LITIGATION

In June 2002, the Company was served with a Complaint, captioned WINFertility, Inc. vs. IntegraMed America, Inc., in which the plaintiff filed an action in the Supreme Court of New York, Westchester County, alleging breach of contract and seeking damages in excess of \$5 million. The Company has served and filed an Answer denying all material allegations of the Complaint and asserting affirmative defenses. The Company has also filed a Counterclaim against the plaintiff demanding an accounting and return of certain fees paid to plaintiff by the Company. Discovery is proceeding in the matter. The Company has meritorious defenses to the claims, and based on opinion of counsel, believes that the likelihood of the suit having a material adverse effect on the financial position, results of operations or the cash flow of the Company is remote.

On June 6, 2003 the Company filed a lawsuit against Pediatric Physician Alliance, Inc. and its parent company, Integrated Physician Solutions, in the United States District Court for the District of New Jersey asserting, among other things, that the defendants, long after the Company's adoption and use of the INTEGRAMED and INTEGRAMED AMERICA(R) trademarks, began using the mark INTEGRIMED in connection with the sale, offering for sale, distribution and advertising of business management and consultation services for office-based medical practices and organizations in the field of health care. The Company is also asserting, in the lawsuit, that the defendants' use of the IntegriMed mark is a colorable imitation of the Company's registered mark INTEGRAMED AMERICA and is likely to cause confusion, or to cause mistake, or to deceive, in violation of the Lanham Act. The Company is seeking relief against defendants, among other things, declaring that the defendants have infringed the Company's trademarks, enjoining defendants from using the IntegriMed mark, and compensatory and punitive damages.

There are other minor legal proceedings to which the Company is a party. In the Company's opinion, the claims asserted and the outcome of such proceedings will not have a material adverse effect on the financial position, results of operations or the cash flow of the Company.

NOTE 7 -- RECENT ACCOUNTING STANDARDS

Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51

On January 17, 2003, the Financial Accounting Standards Board (FASB or the "Board") issued FASB Interpretation No. 46 (FIN 46 or the "Interpretation"), Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51. The primary objective of the Interpretation is to provide guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights; such entities are known as variable-interest entities (VIEs). FIN 46's effective date has been deferred until the first interim period or annual period ending after December 15, 2003. The Company is currently evaluating applicability of FIN 46.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto included in this quarterly report and with the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

The Company offers products and services to patients, providers, and payers in the fertility industry. The IntegraMed Network is comprised of twenty-three fertility centers in major markets across the United States, pharmaceutical products and services, a financing subsidiary, the Council of Physicians and Scientists and a leading fertility portal (www.integrated.com). Seventeen fertility centers have access to the Company's FertilityDirect program. Six of the fertility centers are designated as "FertilityPartners" and as such, have access to the Company's FertilityDirect program in addition to being provided with a full range of services, including: (i) administrative services, including accounting and finance, human resource functions, and purchasing of supplies and equipment; (ii) access to capital and servicing and financing of patient accounts receivable; (iii) marketing and sales; (iv) integrated information systems; and (v) assistance in identifying best clinical practices.

The Company's strategy is to align information, technology and finance for the benefit of fertility patients, providers, and payers. The primary elements of the Company's strategy include: (i) expanding the IntegraMed Provider Network into new major markets; (ii) increasing the number and value of service packages purchased by fertility centers that are members of the IntegraMed Provider Network; (iii) entering into additional FertilityPartners(TM) contracts; (iv) increasing revenues at FertilityPartners centers; (v) increasing the number of Shared Risk Refund treatment packages sold to patients of contracted fertility centers and managing the risk associated with the Shared Risk Refund Program; (vi) increasing sales of pharmaceutical products and services; and (vii) developing Internet-based access to personalized health information.

The strategy is complemented by our approach of focused diversification. We have segmented the fertility market into providers and consumers. We offer services to the provider segment focused on improving clinical and financial results. We offer products and services to consumers that improve access to treatment. All of the product and service offerings are synergistic, each customer segment complementing the other.

The strategy requires the Company to: (a) stay focused on the fertility industry; (b) provide exceptional customer service; (c) deliver premium services to obtain premium prices; (d) develop and maintain standardized products and services along with a scalable infrastructure; and (e) take advantage of the potential of consumer pull-through with direct-to-consumer investment.

During 2001, the Company negotiated revised fee structures on four of its then existing major FertilityPartners business services contracts. On these contracts, service fees are comprised of (a) a tiered percentage of revenue, (b) a fixed percentage of medical practice earnings and (c) reimbursed cost of services. In addition, the Company negotiated lower additional percentages on the revenue and medical practice earnings components. These lower fees are to be phased in over an estimated five-year period.

On April 26, 2002, the Company signed an agreement to supply a complete range of business, marketing and facility services to the Northwest Center for Infertility and Reproductive Endocrinology ("NCIRE") located in Margate, Florida. Under the terms of the 15-year agreement, the Company's service fees are comprised of (a) reimbursed costs of services, (b) a tiered percentage of revenues, and (c) an additional fixed percentage of NCIRE earnings. The Company

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has committed up to \$2 million to fund the development of and to equip a new state-of-the-art facility to house the clinical practice and embryology laboratory for NCIRE and its patients.

On November 25, 2002, the Company announced the ending of its FertilityPartners agreement with Reproductive Science Associates of New York ("RSA of New York"). This agreement was scheduled to end on November 15, 2003. RSA of New York serves the Long Island market and the Company's related revenues and contribution were: \$8,800,000 and \$519,000 for the full 2002 year; \$2,185,000 and \$215,000 for the first quarter of 2003; and \$4,783,000 and \$671,000 for the first six months of 2003. At the time of the announcement, the

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Company evaluated its exclusive business rights asset associated with RSA of New York and reduced that asset to its realizable value by adjusting the asset downward by \$350,000. Based upon subsequent discussions with representatives from RSA of New York, the Company terminated its FertilityPartners agreement effective June 30, 2003. In consideration for the earlier contract termination, the Company recognized as revenue a one-time termination payment of approximately \$320,000, and related costs of approximately \$82,000, in the second quarter of 2003. The Company will continue an ongoing relationship with this medical practice under its FertilityDirect program.

On September 1, 2003, the Company signed a FertilityPartners agreement to supply a complete range of business, marketing and facility services to a physician practice in Charlotte, North Carolina. Under the terms of the 15-year agreement, the Company's service fees are comprised of a tiered percentage of revenues, reimbursed costs of services, and a fixed percentage of practice earnings. Net consideration for the agreement was \$2.2 million, to be amortized over the life of the contract. In addition, the Company has committed up to \$2 million to fund the development and equipping of a new state-of-the-art facility to house the practice and its embryology laboratory.

The Company seeks to increase the number of patients in the IntegraMed Network that participate in the Shared Risk Refund Program. The Shared Risk Refund Program was established at Shady Grove Fertility Partners ("Shady Grove") - the leading fertility center in the metropolitan Washington, DC area and a member of the IntegraMed Provider Network. Based on the experience at Shady Grove, the Company developed an actuarial model that allows pricing a treatment package to consumers. The Shared Risk Refund Program consists of a package that includes up to three cycles of in vitro fertilization for one fixed price with a significant refund if the patient does not deliver a baby. Under this innovative financial program, the Company receives payment directly from consumers who qualify for the program and pays contracted fertility centers a defined reimbursement for each treatment cycle performed. The Company manages the risks associated with the Shared Risk Refund Program through a case management program. This case management program authorizes patient care and provides information to be used in recognizing revenue and developing the related reserves for refunds. Actual results to date have not varied materially from the estimates used in the actuarial model.

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Results of Operations

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The following table shows the percentage of revenues represented by various expense and other income items reflected in the Company's Consolidated Statement of Operations. Ratios for revenues, cost of services incurred and contribution for a particular segment are percentages of the related revenues from that segment only. All other ratios are percentages of total revenues.

	For the three-month period ended September 30,	
	2003	2002
Revenues, net		
FertilityPartners Service Fees.....	79.8%	73.7%
Pharmaceutical Sales.....	16.0%	24.5%
FertilityDirect Revenues.....	4.2%	1.8%
	-----	-----
Total Revenues.....	100.0%	100.0%
Costs of services incurred:		
FertilityPartners costs.....	70.0%	63.3%
Pharmaceutical costs.....	15.5%	23.5%
FertilityDirect costs.....	2.6%	1.4%
	-----	-----
Total Costs of services and sales.....	88.1%	88.2%
Contribution		
FertilityPartners contribution.....	9.8%	10.4%
Pharmaceutical contribution.....	0.5%	1.0%
FertilityDirect contribution.....	1.6%	0.4%
	-----	-----
Total contribution.....	11.9%	11.8%
General and administrative expenses.....	10.0%	9.6%
Interest income.....	(0.1)%	(0.0)%
Interest expense.....	0.1%	0.1%
Total other expenses.....	10.0%	9.7%
Income before income taxes.....	1.9%	2.1%
Provision for income taxes.....	0.7%	0.7%
Net income.....	1.2%	1.4%

Three Months Ended September 30, 2003 Compared to Three Months Ended September 30, 2002

Revenues for the three months ended September 30, 2003 were \$22.3 million, a decrease of 4.6% from revenues of \$23.3 million for the three months ended September 30, 2002. Major factors contributing to this change were as follows:

- (i) FertilityPartners service fees increased approximately 3.5% between the third quarters of 2002 and 2003. While revenue growth among underlying FertilityPartners remains strong, the quarter-to-quarter comparison was negatively impacted by the lack of revenue in the third quarter of 2003 from the Company's previously disclosed termination of its New York based FertilityPartners contract. Third quarter 2003 results also included one month of revenues from the Company's new, North Carolina based, FertilityPartners contract.

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- (ii) The Company's Pharmaceutical segment has been experiencing lower health insurance reimbursements rates and higher manufacturer costs on several major products. Efforts to increase reimbursement rates and rollback price increases were made in

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the third quarter and should positively impact the fourth quarter and 2004. During the third quarter, the Company de-emphasized distribution of several products with unattractive profit margins. Together, these actions have caused an overall decline of 37.7% in Pharmaceutical sales revenue and has reduced pharmaceutical sales as a percentage of total revenue to 16.0%, down from 24.5% during the same period in 2002.

- (iii) FertilityDirect revenues, comprised primarily of the Company's Shared Risk Refund Program and Network member Affiliate Fees, increased 127.0%. This increase was the result of the Company's previously disclosed commitment to focus its marketing efforts on increasing new affiliate membership and strong pregnancy outcomes and increased patient volume within its Shared Risk Refund Program.

As a percentage of revenues, contribution increased from 11.8% in the third quarter of 2002, to 11.9% in the third quarter of 2003. The following factors contributed to this change:

- (i) Contribution from our FertilityPartners product line declined to 12.2% of associated revenues for the third quarter of 2003 vs. 14.1% for the same period in 2002. Substantially all of the decline related to the loss of revenue from the conversion of the RSA of New York partner contract to an affiliate contract for the full quarter. This reduction was mitigated somewhat by the addition of one month of revenue from the new North Carolina based FertilityPartners contract.
- (ii) The Company's pharmaceutical contribution experienced a decline to 3.2% of associated revenues in the third quarter of 2003 from 3.8% in the third quarter of 2002. This was a significant improvement over the second quarter's contribution of 2.6% and reflects the results of the response to the previously discussed market place pricing changes and the mix of products distributed by the Company.
- (iii) The Company's FertilityDirect program, comprised primarily of its Shared Risk Refund Program and Network members Affiliate Fees, generated a contribution of 38.7% of associated revenues in the third quarter of 2003, compared to a 23.9% contribution for the same period in 2002. This favorable increase was the result of favorable pregnancy rates within the Shared Risk Refund Program, growing Affiliate Fees associated with the Company's expanding network and increased market awareness of the advantages of the Shared Risk Refund program to infertile couples.

General and administrative expenses remained stable, decreasing less than 0.01% compared to the third quarter of 2002. The Company has initiated a cost management program designed to control general and administrative costs as it continues to invest in the development of its expanding Network.

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Interest income increased from \$21,000 to \$33,000, mostly as a result of interest earned on advances within the FertilityPartner network, and earnings on increased cash balances. Interest expense declined from \$40,000 in the third quarter of 2002 to \$22,000 in the third quarter of 2003. This reduction was due to lower market interest rates in 2003, and lower debt balances at the beginning of the third quarter of 2003. Interest expense is expected to increase in the near term in line with increased borrowings under the Company's amended credit facility with Fleet Bank, N.A., which became effective during the third quarter of 2003.

Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002

Revenues for the nine months ended September 30, 2003 were \$70.5 million, an increase of 9.3% from revenues of \$64.5 million for the nine months ended September 30, 2002. The major factors contributing to this growth were as follows:

- (i) FertilityPartners service fees increased approximately 13.1% between the first nine months of 2002 and 2003. This additional revenue resulted from an increase in new patient visits at all of the Company's core FertilityPartners locations, as well as the inclusion of the Company's Margate, Florida based FertilityPartner location for a full nine months in 2003. The 2003 results also included one month of revenues from the Company's new, North Carolina based, FertilityPartners agreement.

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- (ii) Pharmaceutical sales decreased 10.6% between the first nine months of 2002 and 2003 as a result of unfavorable insurance reimbursement rates on several major products. In response, the Company has de-emphasized distribution of several products thereby altering its product mix in an effort to maintain margins.
- (iii) FertilityDirect revenues, comprised primarily of the Company's Shared Risk Refund Program and Network member Affiliate Fees, increased 100.5%. This increase is a direct result of the Company's commitment to focus its marketing efforts on direct to consumer marketing and to drive new patient volume within the Network. While the volume of participants in the Shared Risk Refund is increasing, revenues are generated when pregnancies occur. Pregnancy rates have increased in this period compared to the prior year.

As a percentage of revenues, contribution was 11.2% for the first nine months of 2003, versus 11.5% in the same period of 2002. The following factors contributed to this change:

- (i) FertilityPartners contribution declined to 12.3% from 13.6% of associated revenues, between the first nine months of 2003 and 2002, respectively. Despite a continued improvement in the third quarter, the Company's results for the first nine months continue to reflect the weakness experienced in the first quarter as a result of general economic conditions.

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- (ii) Pharmaceutical contribution declined to 2.7% of associated revenues during the first nine months of 2003 compared to 3.8% for the same period in 2002. This decline in contribution is directly related to reduced insurance reimbursement rates as well as cost increases on specific pharmaceutical products.
- (iii) Contribution from the FertilityDirect product suite increased from 16.6% of associated revenues for the first nine months of 2002 to 36.2% for the first nine months of 2003. This increased performance resulted from the Company's previously announced efforts to expand its base of affiliated fertility clinics and to adopt a direct to consumer marketing orientation for its Shared Risk Refund program while experiencing strong pregnancy outcomes, thereby increasing revenues allowing the Company to leverage expenses to a greater extent in 2003.

General and administrative expenses increased 1.8% in the first nine months of 2003 compared to the same period in 2002. During the first nine months of 2003, the Company added additional marketing and support costs to promote growth of its FertilityDirect product lines and assist additional Network expansion. The Company anticipates maintaining general and administrative costs at this level as it continues to invest in the development of its expanding Network.

Interest income is virtually unchanged from \$73,000 to \$77,000, mostly as a result of higher cash balances and interest earned on advances within the FertilityPartner network offset by lower rates. Interest expense declined from \$119,000 for the nine months ended September 30, 2002 to \$54,000 for the same period in 2003. This reduction was due to lower market interest rates in 2003, as well as lower outstanding debt balances throughout most of 2003. Interest expense is expected to increase in the near term in line with increased borrowings under the Company's amended credit facility with Fleet Bank, N.A., which became effective during the third quarter of 2003.

Liquidity and Capital Resources

Historically, the Company has financed its operations by the sale of equity securities, issuance of notes and internally generated resources. In addition, the Company also uses bank financing for working capital and business development. The Company's working capital increased during the third quarter of

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2003 to \$5.2 million as of September 30, 2003 up from \$2.9 million as of December 31, 2002, mainly as a result of new bank debt discussed below. The Company believes that working capital and, specifically, cash and cash equivalents will remain at adequate levels to fund the Company's operations. As of September 30, 2003, the Company did not have any significant purchase commitments for the acquisition of fixed assets, however, it has budgeted upcoming capital expenditures of approximately \$8.1 million for the balance of 2003 and early 2004. These expenditures are primarily related to the expansion of the Company's FertilityPartners centers. The Company believes that the cash flows from its operations plus its credit facility and new term loan (see below) will be sufficient to provide for its future liquidity needs for the next twelve months.

On July 31, 2003, the Company amended its existing credit facility with Fleet Bank, N.A. The amended facility is comprised of a \$7.0 million three-year working capital revolver and a \$5.75 million three-year term loan, of which approximately \$0.75 million was used to repay the remaining outstanding balance

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of the previous credit facility. Each component bears interest by reference to Fleet's prime rate or LIBOR, at the Company's option, plus a margin, which is dependent upon a leverage test, ranging from 2.00% to 2.50% in the case of LIBOR-based loans. Prime based loans are made at Fleet Bank's prime rate and do not contain an additional margin. Interest on the prime-based loans is payable monthly and interest on LIBOR-based loans is payable on the last day of each applicable interest period. Unused amounts under the working capital revolver bear a commitment fee of 0.25% and are payable quarterly. Availability of borrowings under the working capital revolver is based on eligible accounts receivable as defined. As of November 3, 2003, under the working capital revolver, there were no amounts outstanding and the full amount of \$7.0 million was available. The Fleet credit facility is collateralized by all of the Company's assets.

Significant Contractual Obligations and Other Commercial Commitments:

The following summarizes the Company's contractual obligations and other commercial commitments at September 30, 2003, and the effect such obligations are expected to have on its liquidity and cash flows in future periods.

	Payments Due by Period			
	Total	Less than 1 year	1 - 3 years	4 - 5 years
	-----	-----	-----	-----
Notes Payable.....	\$ 5,524,000	\$1,211,000	\$ 4,313,000\$	\$ --
Operating leases.....	24,621,000	3,586,000	6,727,000	5,186,000
	-----	-----	-----	-----
Total contractual cash Obligations.....	\$30,145,000	\$4,797,000	\$11,040,000	\$5,186,000
	Amount of Commitment Expiration Per Period			
	Total	Less than 1 year	1 - 3 years	4 - 5 years
	-----	-----	-----	-----
Lines of credit.....	\$ 7,000,000	\$ --	\$7,000,000	\$ --

The Company also has commitments to provide accounts receivable financing under its FertilityPartners agreements. The Company's financing of this receivable occurs on the 15th of each month. The medical practice's repayment priority consists of the following:

- (i) Reimbursement of expenses that the Company has incurred on their behalf;
- (ii) Payment of the fixed or, if applicable, the variable portion of the service fee which relates to the FertilityPartners revenues; and
- (iii) Payment of the variable portion of the service fee.

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The Company is responsible for the collection of receivables, which are financed with full recourse. The Company has continuously funded these needs from cash flow from operations and the collection of the prior month's receivables. If delays in repayment are incurred, which have not as yet been encountered, the Company could draw on its existing working capital line of credit. The Company makes payments on behalf of the FertilityPartners for which it is reimbursed in the short-term. Other than these payments, as a general course, the Company does not make other advances to the medical practice. The Company has no other funding commitments to the FertilityPartners.

Recent Accounting Standards

The Company discloses its critical accounting policies in its Form 10-K filed with the Securities and Exchange Commission. Since December 31, 2002, none of those policies have changed, nor have any been added except as noted in the next paragraph.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure", which amended SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods for stock-based compensation. SFAS No. 148 allows for (a) a prospective method, (b) a modified prospective method and (c) a retroactive restatement method. The prospective method involves recognizing expense for the fair value for all awards granted or modified in the year of adoption and thereafter with no expense recognition for previous awards. The modified prospective method involves recognizing expense for the fair value for all awards granted or modified in the year of adoption and thereafter and for all awards previously granted, modified or settled since 1994 (the original SFAS No. 123 implementation date) that are unvested at the beginning of the year of adoption. The retroactive restatement method involves restating all periods presented for the fair value of all awards previously granted, modified or settled since 1994 (the original SFAS No. 123 implementation date). The Company has elected to adopt the fair value method of accounting in our financial statements beginning in 2003 using the prospective method. The Company will apply the fair value recognition provisions to all stock based awards granted, modified or settled on or after January 1, 2003 and will continue to provide the required pro forma information in the Notes to our Consolidated Financial Statements on an interim and annual basis. We do not expect the adoption of the fair value method of accounting to have a material effect on our consolidated financial position or consolidated results of operations for the year ending December 31, 2003. We are not contractually committed to grant or modify awards in future accounting periods and we do not anticipate any changes to our policies or procedures in regards to stock-based awards as a result of this implementation.

Other recently issued accounting standards are summarized below:

Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51

On January 17, 2003, the Financial Accounting Standards Board (FASB or the "Board") issued FASB Interpretation No. 46 (FIN 46 or the "Interpretation"), Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51. The primary objective of the Interpretation is to provide guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights; such entities are known as variable-interest entities (VIEs). FIN 46's effective date has been deferred until the first interim period or annual period ending after December 15, 2003. The Company is currently evaluating applicability of FIN 46.

Forward Looking Statements

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This Form 10-Q and discussions and/or announcements made by or on behalf of the Company, contain certain forward-looking statements regarding events and/or anticipated results within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the attainment of which involves various risks and uncertainties. Forward-looking statements may be

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identified by the use of forward-looking terminology such as, "may", "will", "expect", "believe", "estimate", "anticipate", "continue", or similar terms, variations of those terms or the negative of those terms. The Company's actual results may differ materially from those described in these forward-looking statements due to the following factors: the Company's ability to acquire additional FertilityPartners agreements, the Company's ability to raise additional debt and/or equity capital to finance future growth, the loss of significant FertilityPartners agreement(s), the profitability or lack thereof at fertility centers serviced by the Company, increases in overhead due to expansion, the exclusion of fertility and ART services from insurance coverage, government laws and regulation regarding health care, changes in managed care contracting, the timely development of and acceptance of new fertility, and ART and/or genetic technologies and techniques. The Company is under no obligation to (and expressly disclaims any such obligation) update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

For information regarding our exposure to certain market risks, see Item 7A, QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK, in our Annual Report on Form 10-K for the year ended December 31, 2002. There have been no significant changes in our market risk exposures from the fiscal 2002 year-end.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15 under the Exchange Act) as of September 30, 2003 (the "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective in timely alerting such officers to the material information relating to the Company that is required to be included in the Company's periodic SEC filings.

(b) Changes in internal controls.

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There were no significant changes made in the Company's internal controls during the period covered by this report or, to the Company's knowledge, in other factors that could significantly affect these controls subsequent to the date of the Company's evaluation.

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Part II - OTHER INFORMATION

Item 1. Legal Proceedings.
None.

Item 2. Changes in Securities and Use of Proceeds.
None.

Item 3. Defaults Upon Senior Securities.
None.

Item 4. Submission of Matters to Vote of Security Holders.
None.

Item 5. Other Information.
None.

Item 6. Exhibits and Reports on Form 8-K.

(a) See Index to Exhibits on Page 23.

(b) Reports on Form 8-K

The Company filed with the Securities and Exchange Commission on July 14, 2003, a Current Report on Form 8-K for the July 14, 2003 event announcing a change in the Company's 401(K) investment platform and 401(K) record keeper. The Company also announced that officers and directors of the Company are prohibited from trading Company common stock during a "black-out" period running from July 28, 2003 to August 14, 2003.

The Company filed with the Securities and Exchange Commission on July 15, 2003, a Current Report on Form 8-K for the July 10, 2003 event publicizing the debut of the Company at number 24 on Fortune Small Business magazine's list of the top 100 fast growing publicly traded small companies in America.

The Company filed with the Securities and Exchange Commission on August 7, 2003, a Current Report on Form 8-K for the August 5, 2003 event reporting the public dissemination of a press release announcing the financial results for the second quarter ended June 30, 2003.

The Company filed with the Securities and Exchange Commission on August 11, 2003, a Current Report on Form 8-K for the August 8, 2003 event announcing the Company

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had reached an agreement with Fleet Bank on a new credit facility.

The Company filed with the Securities and Exchange Commission on September 8, 2003, a Current Report on Form 8-K for the September 8, 2003 event announcing the signing of a FertilityPartner agreement to provide business, marketing and facility services to a leading North Carolina fertility center.

The Company filed with the Securities and Exchange Commission on September 23, 2003, a Current Report on Form 8-K for the September 22, 2003 event reporting the public announcement of the Company's participation in Friedland Capital's Medical and Healthcare Conference in New York City on September 24, 2003.

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The Company filed with the Securities and Exchange Commission on September 30, 2003, a Current Report on Form 8-K for the September 29, 2003 event announcing the Company at number 39 on Deloitte and Touche's list of the 50 fastest growing technology companies in New York.

Reports on Form 8-K filed subsequent to September 30, 2003

The Company filed with the Securities and Exchange Commission on October 6, 2003, a Current Report on Form 8-K for the October 6, 2003 event announcing the Company at number 12 on Crain's list of fastest growing New York companies.

The Company filed with the Securities and Exchange Commission on October 27, 2003, a Current Report on Form 8-K for the October 27, 2003 event announcing an investment community conference call on October 31, 2003, to discuss the Company's third quarter of 2003 financial results.

The Company filed with the Securities and Exchange Commission on October 30, 2003, a Current Report on Form 8-K for the October 30, 2003 event reporting the public dissemination of a press release announcing the Company's financial results for the third quarter ended September 30, 2003.

The Company filed with the Securities and Exchange Commission on November 3, 2003, a Current Report on Form 8-K for the November 3, 2003 event announcing the Company's exclusive agreement with a Kansas City-based Reproductive Resource Center.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTEGRAMED AMERICA, INC.
(Registrant)

Date: November 13, 2003

By: /s/:John W. Hlywak, Jr.

John W. Hlywak, Jr.
Senior Vice President and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

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Exhibit Number -----		Exhibit -----
10.120	--	Service Agreement between IntegraMed America, Inc and Reproductive Endocrine Associates of Charlotte, P.C.
31.1	--	CEO Certification Pursuant to 18 U.S.C.ss.1350 as Adopted Pursuant to Section 302 of the Sarbanes Oxley Act of 2002 dated November 14, 2003
31.2	--	CFO Certification Pursuant to 18 U.S.C.ss.1350 as Adopted Pursuant to Section 302 of the Sarbanes Oxley Act of 2002 dated November 14, 2003.
32.1	--	CEO Certification Pursuant to 18 U.S.C.ss.1350 as Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002 dated November 14, 2003.
32.2	--	CFO Certification Pursuant to 18 U.S.C.ss.1350 as Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002 dated November 14, 2003.
99.45	--	Registrant's Press Release dated September 8, 2003. (1)
99.46	--	Registrant's Press Release dated September 22, 2003. (2)
99.47	--	Registrant's Press Release dated September 29, 2003. (3)
99.48	--	Registrant's Press Release dated October 6, 2003. (4)
99.49	--	Registrant's Press Release dated October 27, 2003. (5)

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99.50 -- Registrant's Press Release dated October 30, 2003. (6)

99.51 -- Registrant's Press Release dated November 3, 2003. (7)

- (1) Filed as exhibit with identical exhibit number to Registrant's Report on Form 8-K dated September 8, 2003 and incorporated by reference thereto.
- (2) Filed as exhibit with identical exhibit number to Registrant's Report on Form 8-K dated September 23, 2003 and incorporated by reference thereto.
- (3) Filed as exhibit with identical exhibit number to Registrant's Report on Form 8-K dated September 30, 2003 and incorporated by reference thereto.
- (4) Filed as exhibit with identical exhibit number to Registrant's Report on Form 8-K dated October 6, 2003 and incorporated by reference thereto.
- (5) Filed as exhibit with identical exhibit number to Registrant's Report on Form 8-K dated October 27, 2003 and incorporated by reference thereto.
- (6) Filed as exhibit with identical exhibit number to Registrant's Report on Form 8-K dated October 30, 2003 and incorporated by reference thereto.
- (7) Filed as exhibit with identical exhibit number to Registrant's Report on Form 8-K dated November 3, 2003 and incorporated by reference thereto.