INTEGRAMED AMERICA INC
Form 10-Q
November 14, 2006

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

FORM 10-Q

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

For the quarterly period ended September 30, 2006

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	06-1150326
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

Two Manhattanville Road Purchase, New York	10577
(Address of principal executive offices)	(Zip code)

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes _____No __X__

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

Indicate by check mark if disclosure of delinquent filer pursuant to Item 405 of Regulation S-K (17 CFR 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [ ].

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): Large Accelerated Filer Accelerated Filer Non-Accelerated Filer X .

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

The aggregate number of shares of the Registrant's Common Stock, $.01 par value, outstanding on October 31, 2006 was 6,475,471.

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INTEGRAMED AMERICA, INC.
FORM 10-Q

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PART I -- FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

ASSETS

	September 30, 2006 (unaudited)
ASSETS	
Current assets:	
Cash and cash equivalents	$ 27,799
Pharmaceutical and other receivables, net	355
Deferred income taxes, net	1,293
Prepaids and other current assets	2,933
Total current assets	32,380
Fixed assets, net	13,459
Exclusive Service Rights and other intangibles, net	23,265
Other assets	674
Total assets	$ 69,778
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$ 765
Accrued liabilities	9,421
Current portion of long-term notes payable and other obligations	1,504
Due to medical practices	3,848
Shared Risk Refund program patient deposits	6,483
Total current liabilities	22,021

Deferred tax liability	1,255
Long-term notes payable and other obligations	7,528
Total Liabilities	30,804
Commitments and Contingencies	
Shareholders' equity:	
Common Stock, $.01 par value - 15,000,000 shares authorized; 6,465,266 and 6,378,284 shares issued and outstanding in 2006 and 2005, respectively	65
Capital in excess of par	49,939
Accumulated other comprehensive income	(11)
Deferred Compensation	(859)
Treasury stock, at cost - 4,570 and 132,210 shares in 2006 and 2005, respectively	(44)
Accumulated deficit	(10,116)
Total shareholders' equity	38,974
Total liabilities and shareholders' equity	$ 69,778

See accompanying notes to the consolidated financial statements.

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 30,	
	2006	2005 (restated)	2006	2005 (restated)
	(unaudited)		(unaudited)	
Revenues, net				
Provider Services	$ 28,563	$ 26,779	$ 85,295	$ 78,324
Consumer Services	3,291	7,177	8,802	19,792
Total revenues	31,854	33,956	94,097	98,116
Costs of revenues:				
Provider Services costs	25,669	23,780	76,950	69,845
Consumer Services costs	2,114	6,276	5,558	17,463
Total costs of revenues	27,783	30,056	82,508	87,308

Contribution				
Provider Services contribution	2,894	2,999	8,345	8,479
Consumer Services contribution	1,177	901	3,244	2,329
Total contribution	4,071	3,900	11,589	10,808
General and administrative expenses	3,217	3,204	9,221	8,903
Interest income	(269)	(137)	(750)	(352)
Interest expense	174	121	532	288
Total other expenses	3,122	3,188	9,003	8,839
Income before income taxes	949	712	2,586	1,969
Income tax provision	367	234	995	710
Net income	$ 582	$ 478	$ 1,591	$ 1,259
Basic and diluted net earnings per share:				
Basic earnings per share	$ 0.09	$ 0.08	$ 0.25	$ 0.21
Diluted earnings per share	$ 0.09	$ 0.08	$ 0.24	$ 0.20
Weighted average shares - basic	6,459	6,105	6,460	5,988
Weighted average shares - diluted	6,569	6,321	6,570	6,183

See accompanying notes to the consolidated financial statements.

INTEGRAMED AMERICA, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(all amounts in thousands)
(unaudited)

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par	Accumulated Other Comprehensive Income	Deferred Compensation	Tr Sh
BALANCE AT DECEMBER 31, 2005	6,378	$64	$49,734	$ --	$(354)	
Net income for the nine months ended September 30, 2006............	--	--	--	--	--	
Stock grants issued, net.........	82	1	804	--	(805)	
Stock grant amortization.........	--	--	--	--	300	
Exercise of common stock options.	149	1	371	--	--	
Amortization of common stock options	--	--	87	--	--	

Gain (loss) on hedging transaction	--	--	--	(11)	--	
Cancellation and retirement of treasury stock................	(144)	(1)	(1,057)	--	--	(
BALANCE AT September 30, 2006....	6,465	$65	$49,939	$(11)	$(859)	

See accompanying notes to the consolidated financial statements.

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

	For the nine-month period ended September 30,	
	2006	2005
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 1,591	$ 1,259
Adjustments to reconcile net income to Net cash provided by (used in) operating activities:		
Depreciation and amortization	4,215	3,980
Deferred income tax provision	185	594
Stock-based compensation	300	224
Changes in assets and liabilities Decrease (increase) in assets:		
Pharmaceutical and other accounts receivable	135	(225)
Prepaids and other current assets	(725)	(1,031)
Other assets	(84)	(194)
Increase (decrease) in liabilities:		
Accounts payable	(152)	306
Accrued liabilities	1,825	(385)
Due to medical practices	(1,101)	1,549
Shared Risk Refund program patient deposits	1,744	2,495
Net cash provided by operating activities	7,933	8,572
Cash flows from investing activities:		
Payment for exclusive FertilityPartners service rights	--	(3,329)
Proceeds from sales of fixed assets	514	--
Purchase of fixed assets and leasehold improvements	(2,250)	(3,669)
Net cash used in investing activities	(1,736)	(6,998)
Cash flows from financing activities:		

Issuance debt	--	1,000
Principal repayments on debt	(1,072)	(863)
Principal repayments under capital lease obligations	(54)	(50)
Proceeds from exercise of stock options and other	207	284
Net cash provided by (used in) financing activities	(919)	371
Net increase (decrease) in cash and cash equivalents	5,278	1,945
Cash and cash equivalents at beginning of period	22,521	11,300
Cash and cash equivalents at end of period	$ 27,799	$ 13,245
Supplemental Information:		
Interest paid	$ 526	$ 282
Income taxes paid	$ 247	$ 969

See accompanying notes to the consolidated financial statements.

INTEGRAMED AMERICA, INC.
NOTES TO CONDENSED 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, 2006, 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, 2006. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in IntegraMed America's Annual Report on Form 10-K for the year ended December 31, 2005.

Certain amounts from our September 30, 2005 presentations have been reclassified to conform with our current 2006 presentation.

NOTE 2 -- COMMON SHARES OUTSTANDING:

All common share numbers reported herein reflect the 30% Stock Split effected in the form of a stock dividend declared by the Board of Directors on May 23, 2005 and paid to shareholders on June 22, 2005; and the 25% stock split effected in the form of a stock dividend declared by the Board of Directors on May 22, 2006 and paid on June 21, 2006.

NOTE 3 -- 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, 2006 and 2005 is as follows (000's omitted, except for per share amounts):

	For the three-month period ended September 30,		F nine-m ended
	2006	2005	2006
Numerator			
Net Income	$ 582	$ 478	$1,591
Denominator			
Weighted average shares outstanding (basic)	6,459	6,105	6,460
Effect of dilutive options and warrants	110	216	110
Weighted average shares and dilutive potential Common shares (diluted)	6,569	6,321	6,570
Basic EPS	$ 0.09	$ 0.08	$ 0.25
Diluted EPS	$ 0.09	$ 0.08	$ 0.24

For the three and nine-month periods ended September 30, 2006 and 2005, there were no outstanding options to purchase shares of Common Stock which were excluded from the computation of the diluted earnings per share amount as the exercise prices of all outstanding options were less than the average market price of the shares of Common Stock.

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

NOTE 4 -- SEGMENT INFORMATION:

We currently report two major lines of business, our Provider Services, which is comprised of our FertilityPartners and Affiliate segments, and our Consumer Services, which is comprised of our Shared Risk and Pharmaceutical segments. Performance by segment, for the three month and nine month periods ended September 30, 2006 and September 30, 2005, is presented below.

Providers	Consum
Fertility	Shared

	Corporate	Partners	Affiliates	Risk	Pharm
Revenues..............................	$ --	$28,256	$ 307	$3,178	
For the three months ended September 30, 2006					
Cost of Services......................	--	25,647	22	2,114	
Contribution..........................	--	2,609	285	1,064	
Operating Margin......................	--	9.2%	92.8%	33.5%	
General and administrative............	3,217	--	--	--	
Interest, net.........................	(95)	--	--	--	
Income before income taxes............	(3,122)	2,609	285	1,064	
Depreciation expense included above....	$ 159	$ 883	$ --	$ --	
Capital expenditures..................	$ 122	$ 679	$ --	$ --	
Total assets........................	$27,145	$41,051	$ 266	$ 230	
For the nine months ended September 30, 2006					
Revenues..............................	$ --	$84,401	$ 894	$8,434	
Cost of Services......................	--	76,927	23	5,630	
Contribution..........................	--	7,474	871	2,804	
Operating Margin......................	--	8.9%	97.4%	33.2%	
General and administrative............	9,221	--	--	--	
Interest, net.........................	(218)	--	--	--	
Income before income taxes............	(9,003)	7,474	871	2,804	
Depreciation expense included above....	$ 447	$ 2,708	$ --	$ --	
Capital expenditures..................	$ 550	$ 1,700	$ --	$ --	
Total assets........................	$27,145	$41,051	$ 266	$ 230	
For the three months ended September 30, 2005					
Revenues..............................	$ --	$26,552	$ 227	$2,308	
Cost of Services......................	--	23,739	41	1,606	
Contribution..........................	--	2,813	186	702	
Operating Margin......................	--	10.6%	81.9%	30.4%	
General and administrative............	3,204	--	--	--	
Interest, net.........................	(16)	--	--	--	
Income before income taxes............	(3,188)	2,813	186	702	
Depreciation expense included above....	$ 85	$ 889	$ --	$ --	
Capital expenditures..................	$ 250	$ 404	$ --	$ --	
Total assets..........................	$11,713	$45,802	$ 30	$ 287	

		Providers		Consum	
	Corporate	Fertility Partners	Affiliates	Shared Risk	Pharm
For the nine months ended September 30, 2005					

Revenues	$ --	$77,630	$694	$5,759
Cost of Services	--	69,759	86	3,983
Contribution	--	7,871	608	1,776
Operating Margin	--	10.1%	87.6%	30.8%
General and administrative	8,903	--	--	--
Interest, net	(64)	--	--	--
Income before income taxes	(8,839)	7,871	608	1,776
Depreciation expense included above	$ 286	$ 2,633	$ --	$ --
Capital expenditures	$ 813	$ 2,856	$ --	$ --
Total assets	$11,713	$45,802	$ 30	$ 287
As of December 31, 2005				
Total assets	$21,038	$43,161	$ 46	$ 241

NOTE 5 - DUE TO MEDICAL PRACTICES:

Due to Medical Practices is comprised of the net amounts owed by us to medical practices contracted as FertilityPartners. This balance is comprised of amounts due to us by the medical practices for funds, which we advanced for use in financing their accounts receivable, less balances owed to the medical practices by us for undistributed physician earnings and patient deposits we hold on behalf of the medical practices.

As of September 30, 2006 and December 31, 2005, Due to Medical Practices was comprised of the following balances:

	2006	2005
Advances to FertilityPartners	$(13,061)	$(12,727)
Undistributed Physician Earnings	2,004	3,721
Physician Practice Patient Deposits	14,905	13,955
Due to Medical Practices, net	$ 3,848	$ 4,949

NOTE 6 -- STOCK-BASED EMPLOYEE COMPENSATION:

As of September 30, 2006, we had two stock-based employee compensation plans, which are described more fully in Note 13 of the financial statements in our most recent Annual Report on Form 10-K.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share Based Payment" ("SFAS No. 123(R)"). SFAS No. 123(R) supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". In 2005, we used APB Opinion No. 25 to account for the value of stock options granted to employees. Effective January 1, 2006, we adopted SFAS No. 123(R). For the three months and nine months ended September 30, 2006, we recorded a charge to earnings to recognize compensation expense of $0 and $87,000, respectively, related to the value of outstanding stock options issued in prior years which vested in 2006. As of September 30, 2006, we had no unrecognized compensation costs related to stock options which had been previously granted under our plans as all options are currently vested.

We also issue restricted stock grants to officers and members of the Board of Directors. Stock granted to Board members vests immediately and stock granted to officers vests over a period of three years. Our General and Administrative expense includes compensation costs recognized in connection with these restricted stock grants of $99,000 and $300,000 for the three and nine month periods ended September 30, 2006, and $98,000 and $224,000 for the three and nine month periods ended September 30, 2005.

NOTE 7 -- HEDGING TRANSACTION:

In the normal course of business we are exposed to the risk that our earnings and cash flows could be adversely impacted by market driven fluctuations in the level of interest rates. It is our policy to manage these risks by using a mix of fixed and floating rate debt and derivative instruments.

During the second quarter of 2006, we entered into an interest rate swap agreement designed to hedge the risks associated with our floating rate debt. As a result of this agreement, our net income includes financing costs associated with this transaction of approximately $1,000 in the third quarter of 2006, and we expect to record additional financing costs of less than $10,000 over the coming twelve months, given current interest rate forecasts. In addition to the costs included in our reported net income, this hedge also generated a non-recognized loss of approximately $11,000 which is reported as part of our comprehensive income.

We deem this hedge to be highly effective as it shares the same valuation, termination date and amortization schedule as the underlying debt subject to the hedge. In addition the swap transaction was structured such that the change in fair value of the swap inversely mimics the hedged item. As of September 30, 2006, we had no other hedge or derivative transactions.

The following table summarizes total comprehensive income for the applicable periods (000's omitted):

	For the three-month period ended September 30,		For t nine-month ended Septe
	2006	2005	2006
Net income as reported.........................	$582	$478	$1,591
Net gain (loss) on derivative transactions......	33	--	(11)
Total comprehensive income.....................	$615	$478	$1,580

NOTE 8 -- LITIGATION:

From time to time, we are party to legal proceedings in the ordinary course of business. As of September 30, 2006, none of these proceedings is expected to have a material adverse effect on our financial position, results of operations or cash flows.

NOTE 9 -- RECENT ACCOUNTING STANDARDS:

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS No. 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy as defined in the standard. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, We do not expect the adoption of this standard to have a material effect on our financial statements.

NOTE 10 -- RESTATEMENT:

During October 2006, we provided notification that our financial statements for 2005 and the first two quarters of 2006 could not be relied on, and will be restated due to an accounting error. The restatements will not result in any changes to net income or earnings per share for any period, but will, as of March 31, 2005, have the effect of increasing intangible assets by $2,035,000, decreasing deferred tax assets by $977,000 and increasing deferred tax liabilities by $1,058,000, all non-cash items.

The information related to December 31, 2005 and September 30, 2005 contained in this document have been restated to reflect the correction of the error described above.

As a result of the error described above, we expect to file amendments to our Form 10-K and our Forms 10-Q for the above-mentioned periods in the next forty-five days with the Securities and Exchange Commission to reflect the correct accounting and related disclosures.

The following table illustrates the impact of the correction:

	As Previously Reported	Restated
Balance Sheet Summary		
June 30, 2006		
Total Assets	$67,976	$69,473
Total Liabilities	29,725	31,222
Total Stockholders' Equity	38,251	38,251
March 31, 2006		
Total Assets	64,004	65,154
Total Liabilities	26,377	27,527
Total Stockholders' Equity	37,627	37,627
December 31, 2005		
Total Assets	65,575	66,633
Total Liabilities	28,775	29,833
Total Stockholders' Equity	36,800	36,800
Statement of Operations Summary		
Six Months ended June 30, 2006		
Revenues	62,284	62,243
Income before taxes	1,678	1,637

Income tax provision	669	628
Net Income	1,009	1,009
Earnings Per Share	0.15	0.15
Three Months ended March 31, 2006		
Revenues	30,454	30,434
Income before taxes	792	772
Income tax provision	316	296
Net Income	476	476
Earnings Per Share	0.07	0.07
Year ended December 31, 2005		
Revenues	128,890	128,809
Income before taxes	2,788	2,707
Income tax provision	1,065	984
Net Income	1,723	1,723
Earnings Per Share	0.28	0.28

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 IntegraMed America Inc.'s Annual Report on Form 10-K for the year ended December 31, 2005.

Overview

IntegraMed America, Inc. offers products and services to patients and providers in the fertility industry. As of September 30, 2006, we have developed a network comprised of twenty-nine contracted fertility centers in major markets across the United States, products and services designed to support fertility center growth, products and services in the pharmaceutical and patient financing areas, and captive insurance offerings. Twenty-one affiliate fertility centers subscribe to discrete service packages provided by us and have the right to distribute our consumer products, and eight fertility centers have access to our entire portfolio of products and services under our comprehensive FertilityPartners(TM) program. All twenty-nine centers have access to our consumer services, principally Shared Risk Refund and pharmaceutical offerings, as well as patient financing products.

The business strategy of our Provider Services segment is to leverage our deep expertise and commitment to improved fertility center performance by providing the best value-specific offerings designed to manage and grow the center within the context of a long term relationship. The business strategy of our Consumer Segment is to provide products and services that make obtaining high quality care easier and more affordable. The primary elements of our strategy include: (i) expanding our network of fertility centers into new major markets; (ii) increasing the number and value of service packages purchased by Affiliates in our network; (iii) entering into additional FertilityPartners contracts with Affiliated and non-Affiliated fertility centers; (iv) increasing revenues and profits at contracted fertility centers; and, (v) increasing sales

of Shared Risk Refund, pharmaceutical and treatment financing products to fertility patients.

Major events impacting financial condition and results of operations

On May 22, 2006, we declared a 25% stock split effected in the form of a stock dividend for all holders of record as of June 7, 2006. As a result of this dividend, 1,291,368 new shares of common stock were issued on the payment date of June 21, 2006. No fractional shares were issued as all fractional amounts were rounded up to the next whole share. All weighted average shares outstanding and earnings per share calculations in this filing have been restated to reflect this stock split.

In December 2005, we amended our existing credit agreement with Bank of America. The amended agreement is comprised of a renewal and increase in our three-year revolving credit line to $10 million, and a new $10 million five-year term loan, of which approximately $3.2 million was used to retire the outstanding balance on our previous term loan.

Through September 30, 2005, we marketed pharmaceutical products directly to patients throughout our network and we had contracted with ivpcare, inc. to provide certain business services related to the distribution of and accounting for these sales. Effective October 1, 2005, this agreement was superseded by a new agreement between us and ivpcare, inc. Under the terms of the new agreement, we are no longer a direct distributor of pharmaceutical products to patients, as this function is being performed directly by ivpcare. Our responsibilities are limited to marketing the products for which we are compensated. This compensation approximates our previous contribution from those pharmaceutical sales, and is shown on a "net" rather than "gross" basis. As a result, as of October 1, 2005, we no longer record pharmaceutical sales, the related cost of sales and other costs related to pharmaceutical distribution. As expected, this contract change has measurably reduced our pharmaceutical revenues and cost of sales; however contribution from these operations and income before income taxes, as well as net income, has been unaffected by the change.

On May 23, 2005, we declared a 30% stock split effected in the form of a stock dividend for all holders of record as of June 8, 2005. As a result of this dividend, 1,129,141 new shares of common stock were issued on the payment date

of June 22, 2005. No fractional shares were issued as all fractional amounts were rounded up to the next whole share. All weighted average shares outstanding and earnings per share calculations in this filing reflect this stock split.

Effective January 1, 2005, we signed a FertilityPartners agreement to supply a complete range of business, marketing and facility services to the Reproductive Partners Medical Group, Inc. or RPMG, a fertility practice comprised of six physicians in the Southern California market. Under the terms of this 25-year agreement, our service fees are comprised of reimbursed costs of services, a tiered percentage of revenues, and an additional fixed percentage of RPMG's earnings. We also committed up to $0.5 million to fund any necessary capital needs of the practice.

Effective January 1, 2005, the Company became a minority equity investor in the Assisted Reproductive Technology Insurance Company, LTD, ("ARTIC"). ARTIC is incorporated as an off-shore captive insurance company designed to offer malpractice insurance to physicians and related facilities within the IntegraMed network. IntegraMed's equity investment of $50,000 represents a 10% ownership

stake, which is accounted for on the cost basis. The remaining equity of ARTIC is owned by participating physician groups. To date, earnings on our equity investment have been immaterial, however IntegraMed is paid a predetermined fee to provide certain administrative and risk management related services to ARTIC.

During October 2006, we provided notification that our financial statements for 2005 and the first two quarters of 2006 could not be relied on, and will be restated due to an accounting error. The restatements will not result in any changes to net income or earnings per share for any period, but will, as of March 31, 2005, have the effect of increasing intangible assets by $2,035,000, decreasing deferred tax assets by $977,000 and increasing deferred tax liabilities by $1,058,000, all non-cash items.

Results of Operations

The following table shows the percentage of net revenue represented by various expenses and other income items reflected in our statement of operations for the three and nine-month periods ended September 30, 2006 and 2005:

	For the three-month period ended September 30,		F nine-m ended S
	2006	2005	2006
Revenues, net:			
Provider services..........................	89.7%	78.9%	90.6%
Consumer services..........................	10.3%	21.1%	9.4%
Total revenues...........................	100.0%	100.0%	100.0%
Costs of services incurred:			
Provider services..........................	80.6%	70.0%	81.8%
Consumer services..........................	6.6%	18.5%	5.9%
Total costs of service...................	87.2%	88.5%	87.7%
Contribution:			
Provider services..........................	9.1%	8.9%	8.8%
Consumer services..........................	3.7%	2.6%	3.5%
Total contribution.......................	12.8%	11.5%	12.3%
General and administrative expenses...........	10.1%	9.4%	9.8%
Interest income..............................	(0.8)%	(0.4)%	(0.8)%
Interest expense.............................	0.5%	0.4%	0.6%
Total other expenses..................	9.8%	9.4%	9.6%
Income from operations before income taxes....	3.0%	2.1%	2.7%
Income tax provision.........................	1.2%	0.7%	1.0%
Net income	1.8%	1.4%	1.7%

Three Months Ended September 30, 2006 Compared to Three Months Ended

September 30, 2005

Our reported revenues decreased by $2.1 million, or 6.2%, to $31.9 million for the three months ended September 30, 2006, compared to $34.0 million for the same period in 2005. The third quarter of 2005 included pharmaceutical revenue of $4.7 million, which due to the contract change discussed above, must be excluded from 2005 revenues to make them comparable with 2006. Other significant factors affecting our reported revenues were as follows:

(i) Provider Services -

Revenues from our Provider Services unit, comprised primarily of our FertilityPartner locations, Affiliate members and ARTIC services, increased by $1.8 million, or 6.7% from the same quarter in the prior year. Approximately $1.7 million of this increase resulted from consumer driven organic growth within our eight FertilityPartner centers.

Revenues from our Affiliate clinics increased approximately $0.1 million in the third quarter of 2006 compared to the second quarter of 2005, reflecting our growing network of affiliated fertility clinics, which increased from seventeen clinics as of September 30, 2005 to twenty two clinics as of September 30, 2006.

(ii) Consumer Services -

During the third quarter of 2006, our Shared Risk Refund program continued to see significant double digit year-over-year growth with second quarter 2006 revenues of $3.2 million, an increase of $0.9 million, or 38%, above 2005 revenues of $2.3 million for the same period. This product offering continues to show strong growth with the third quarter of 2006 attaining record patient enrollment rates.

Pharmaceutical revenue was $0.1 million for quarter ended September 30, 2006, compared to $4.9 million for the same quarter in 2005. This reduction in revenue is primarily the result of a change in contract terms with our strategic partner in the pharmaceutical business, which became effective on October 1, 2005. Under the new contract terms, we no longer record the sales of pharmaceutical products as revenue and the cost of these products as costs of sales, but rather report net marketing fees associated with those sales. While these new terms have an effect on our reported revenues, and associated cost of sales, they will not have any impact on our net profit from those sales. As a result, reported revenues for 2005 should be reduced by $4.7 million to be comparable with 2006 revenues.

Contribution for the quarter ended September 30, 2006 of $4.1 million increased approximately $0.2 million, or 4.4%, from the same quarter in 2005. As a percentage of revenue, our contribution margin for the quarter increased to 12.8% in 2006 relative to 11.5% in 2005, due primarily to the current presentation of "net pharmaceutical revenue" as discussed above, as well as the continued growth of our Shared Risk Refund program. The following factors had a significant impact on contribution:

(i) Provider Services -

Contribution from our FertilityPartners segment of $2.6 million for the third quarter of 2006, was slightly below their contribution of $2.8 million in the prior year. Despite revenue

growth of $1.7 million, or 6.4%, previously negotiated fee reductions at three FertilityPartners clinics hampered contribution growth. The year 2006 represents the final year of our multi-year fee realignment program. With the fee structures we currently have in place, we expect that continued revenue growth in future years will directly translate into growth in contribution.

Our Affiliate clinics generated contribution of $0.3 million in 2006, an increase of $0.1 million from their contribution in 2005. This increase is primarily the result of additional Affiliate clinics participating in our network since the third quarter of 2005.

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(ii) Consumer Services -

Contribution from our Shared Risk Refund program rose by approximately 52%, to $1.1 million for the quarter ended September 30, 2006, from $0.7 million in the same quarter of 2005. This growth is attributable to increased patient enrollment and continued favorable pregnancy outcomes, especially during early treatment cycles.

Pharmaceutical contribution of $0.1 million in third quarter of 2006 was essentially consistent with the contribution level in 2005. As previously stated, the change in contract terms with our strategic partner in the pharmaceutical business was designed to have no effect on our contribution from the underlying sales.

General and Administrative expenses are comprised of salaries, benefits, administrative, regulatory compliance, and operational support costs which are not specifically related to individual clinical operations or other product offerings. These costs were $3.2 million for both the third quarter of 2006 and 2005. Higher depreciation costs of $73,000 in the third quarter of 2006 versus the third quarter of 2005, were essentially offset by lower benefit related costs in 2006 relative to 2005.

Interest income increased to $269,000 for the quarter ended September 30, 2006, from $137,000 in 2005. This increase is primarily attributed to interest earnings on our higher cash balances in 2006. Interest expense increased to $174,000 for the third quarter of 2006, from $121,000 in 2005, primarily as a result of interest charges on higher debt levels associated with our December 2005 amended credit agreement with Bank of America.

Our provision for income tax was approximately $0.4 million in 2006, or 38.7% of pre-tax income, compared to $0.2 million, or 32.9% of 2005 pre-tax income. Our effective tax rates for both 2006 and 2005 reflect provisions for both current and deferred federal and state income taxes. The lower effective tax rate in 2005 related to revised estimates of current state tax liabilities.

Nine months Ended September 30, 2006 Compared to Nine months Ended September 30, 2005

Our reported revenues for the first nine months of 2006 were $94.1 million, a decrease of $4.0 million, or 4.1%, from revenues of $98.1 million in 2005. Our 2005 results include pharmaceutical revenue of $13.5 million, which due to the previously discussed contract change, must be excluded from 2005 revenues to make them comparable with 2006 results. Other significant factors affecting our

reported revenues were as follows:

(iii) Provider Services -

Revenues from our Provider Services unit increased by $7.0 million, or 8.9% from the same period in the prior year. Approximately $6.8 million of this increase resulted from same store growth within our FertilityPartner centers with all clinics reporting higher revenue. Underlying these increases is our multi-faceted marketing effort with initiatives on physician referrals, field sales, internet advertising and other direct to consumer efforts. Each of our FertilityPartner locations maintains a staff of full-time, professionally trained team members focused on patient recruitment and retention.

Revenues from our Affiliate clinics increased approximately $0.2 million in nine months ended September 30, 2006 compared to the same period in 2005. This increase is primarily the result of five additional Affiliated clinics participating in our Network as of September 30, 2006, versus the same period in the prior year.

(iv) Consumer Services -

Our Shared Risk Refund program continued to see significant growth with revenues of $8.4 million for the first nine months of 2006, up $2.7 million or 46%, over the first nine months of 2005. Consumer interest in this program remains strong, with patient enrollments during the first nine months of 2006 increasing over their 2005 rates.

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Pharmaceutical revenue was $0.4 million for the nine months ended September 30, 2006, compared to $14.0 million for the same period in 2005. As noted above, approximately $13.5 million of this reduction in revenue is the result of the previously discussed change in contract terms with our strategic partner in the pharmaceutical business, which became effective on October 1, 2005.

Contribution for the nine months ended September 30, 2006 of $11.6 million represents an increase of $0.8 million, or 7.2%, from the same period in 2005. As a percentage of revenue, our contribution margin for the first nine months of 2006 increased to 12.3% versus 11.0% in 2005. This increased margin percentage is primarily due to the current presentation of "net pharmaceutical revenue" as discussed above as well as the relative growth of our higher margin Shared Risk Refund program. The following factors had a significant impact on contribution:

(iii) Provider Services -

Contribution from our FertilityPartners segment of $7.5 million, or 8.9% of related revenues, for the first half of 2006 was slightly below prior year contribution of $7.9 million, or 10.1% of revenues. Contribution amounts were primarily affected by previously disclosed fee reductions at several FertilityPartners clinics. The year 2006 represents the final year of our multi-year fee realignment program. With the currently contracted fee structures in place, we expect that continued organic revenue growth in future years will directly translate into growth in contribution dollars and margin percentage.

Our Affiliate clinics generated contribution of $0.9 million in the first nine months of 2006, an increase of $0.3 million from their contribution in the same period of 2005. This increase is primarily the result of network expansion by obtaining additional Affiliate clinic contracts. As of September 30, 2006, we had twenty two Affiliate clinics under contract, versus seventeen as of September 30, 2005.

(iv) Consumer Services -

Contribution from our Shared Risk Refund program rose by 58%, to $2.8 million for the first nine months of 2006, from $1.8 million in the first nine months of 2005. This growth is attributable to higher patient throughput and continued favorable pregnancy rates on treatment cycles.

Pharmaceutical contribution of $0.4 million in 2006 was essentially even with contribution in 2005. Our pharmaceutical contribution is directly dependent upon fees we receive related to the volume of pharmaceutical products sold by ivpcare, inc., our pharmaceutical business partner. In an effort to increase these fees, we are continuing our efforts to promote pharmaceutical sales volume throughout our network.

General and Administrative expenses totaled $9.2 million, or 79.6% of contribution, for the first nine months of 2006, compared to $8.9 million, or 82.4% of contribution, for the comparable period in 2005. These costs are comprised of administrative, regulatory and operational support costs which are not specifically related to our product offerings. The $0.3 million increase in costs in 2006 is mainly related to additional employee related expenses and fixed asset depreciation in 2006 relative to 2005.

Interest income increased to $750,000 for the nine month period ended September 30, 2006, from $352,000 in the same period of 2005. This increase is primarily related to interest earnings on our higher cash balances as well as higher market interest rates relative to 2005. Interest expense increased to $532,000 for the first nine months of 2006, from $288,000 in 2005, primarily as a result of interest charges on our higher debt levels associated with our December 2005 financing with Bank of America.

Our provision for income tax was $1.0 million in 2006, or 38.5% of pre-tax income, compared to $0.7 million, or 36.1% of 2005 pre-tax income. Our effective tax rates for both 2006 and 2005 reflect provisions for both current and deferred federal and state income taxes. The lower 2005 effective tax rates was due to revised current state tax liabilities.

Off-balance Sheet Arrangements

FASB Interpretation No. 46 (FIN 46R) "Consolidation of Variable Interest Entities" ("VIE's") addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or VIE's, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of September 30, 2006, we do not have an interest in any VIE's where we are the primary beneficiary, therefore the adoption of FIN 46 had no impact on our financial statements.

Liquidity and Capital Resources

As of September 30, 2006, we had approximately $27.8 million in cash and cash equivalents on hand as compared to $22.5 million at December 31, 2005. Additionally, we had working capital of approximately $10.4 million, at September 30, 2006, an increase of $3.7 million from working capital of $6.7 million as of December 31, 2005. Our increased working capital is largely attributed to cash flows generated from operating activities.

Shared Risk Refund patient deposits, which are reflected as a current liability, represent funds received from patients in advance of treatment cycles and are an indication of future Shared Risk revenues. These deposits totaled approximately $6.5 million and $4.7 million as of September 30, 2006 and December 31, 2005, respectively. These deposits are a significant source of cash flow and represent interest-free financing for us.

As of September 30, 2006, we did not have any significant contractual commitments for the acquisition of fixed assets or construction of leasehold improvements. However, we anticipate upcoming capital expenditures of approximately $1.0 million for the remainder of 2006. These expenditures are primarily related to medical equipment and information system acquisitions and leasehold improvements. We believe that working capital, specifically cash and cash equivalents, remain at adequate levels to fund our operations and our commitments for fixed asset acquisitions. We also believe that the cash flows from our operations plus our available credit facility will be sufficient to provide for our future liquidity needs over the next twelve months.

In December 2005, we amended our existing credit facility with Bank of America. The amended facility is comprised of a $10 million three-year revolving line of credit and a $10 million 5-year term loan. As of September 30, 2006, approximately $8.9 million of the term loan was outstanding with a remaining term of 4.25 years, with no balance outstanding under the revolving line of credit.

Each component of our amended credit facility bears interest by reference to Bank of America's prime rate or LIBOR, at our option, plus a margin, which is dependent upon a leverage test, ranging from 1.75% to 2.50% in the case of LIBOR-based loans. Prime-based loans are made at Bank of America'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. As of September 30, 2006, interest on the term loan was payable at a rate of approximately 5.32% plus the applicable margin. 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 in the credit agreement. As of September 30, 2006, we had no outstanding balance on our $10 million revolving line of credit. Due to lower eligible outstanding accounts receivable balances, resulting from increased collections, approximately $9.8 million of the revolving line of credit was available to us.

In order to mitigate the interest rate risk associated with our term loan, we entered into an interest rate swap agreement with Bank of America in April 2006. The effect of this swap transaction was to effectively fix the interest rate on our term loan at 5.42% plus the applicable margin for the life of the loan.

Our Bank of America credit facility is collateralized by substantially all of our assets. As of September 30, 2006, we were in full compliance with all applicable debt covenants. We also continuously reviewing our credit agreements and may renew, revise or enter into new agreements from time to time as deemed necessary.

Significant Contractual Obligations and Other Commercial Commitments

The following summarizes our contractual obligations and other commercial commitments at September 30, 2006, and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due by Period			
	Total	Less than 1 year	1 - 3 years	4 - 5 years
Notes Payable.................	$8,928,000	$1,428,000	$ 2,858,000	$ 4,642,000
Capital lease obligations.....	93,000	74,000	19,000	--
Derivative valuation..........	11,000	2,000	9,000	--
Interest on debt..............	988,000	441,000	362,000	185,000
Operating leases..............	45,992,000	6,439,000	10,916,000	9,486,000
Total contractual cash obligations..............	$56,012,000	$8,384,000	$14,164,000	$14,313,000

	Amount of Commitment and Expiration Per Perio			
	Total	Less than 1 year	1 - 3 years	4 - 5 years
Unused lines of credit........	$10,000,000	$ --	$10,000,000	$ --

We also have commitments to provide working capital financing to our FertilityPartners locations. A significant portion of this commitment relates to our transactions with the medical practices themselves. Our responsibilities to the medical practices are to provide financing for their accounts receivable and to hold patient deposits on their behalf as well as undistributed physician earnings. Disbursements to the medical practices generally occur on or before the 20th business day of each month. The medical practice's repayment hierarchy consists of the following:

(i) We provide a cash credit to the practice for billings to patients and insurance companies;

(ii) We reduce the cash credit for clinic expenses that we have incurred on behalf of the practice;

(iii) We reduce the cash credit for the base portion of our Service Fee which relates to the FertilityPartners revenues;

(iv) We reduce the cash credit for the variable portion of our Service Fee which relates to the FertilityPartners earnings; and

(v) We disburse to the medical practice the remaining cash amount which represents the physicians undistributed earnings.

We are also responsible for the collection of the FertilityPartners accounts receivables, which we finance with full recourse. We continuously fund these needs from our cash flow from operations, the collection of prior months'

receivables and deposits from patients in advance of treatment. If delays in repayment are incurred, which have not as yet been encountered, we could draw on our existing working capital line of credit. We also make payments on behalf of the FertilityPartners for which we are reimbursed in the short-term. Other than these payments, as a general course, we do not make other advances to the medical practice. We have no other funding commitments to the FertilityPartners.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS No. 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy as defined in the standard. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, We do not expect the adoption of this standard to have a material effect on our financial statements.

Forward Looking Statements

This Form 10-Q and discussions and/or announcements made by or on behalf of us, 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 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. Our actual results may differ materially from those described in these forward-looking statements due to the following factors: our ability to acquire additional FertilityPartners agreements, our 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 us, 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. We are under no obligation to (and expressly disclaim any such obligation) update or alter any forward-looking statements whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business our interest income and expense items are sensitive to changes in the general level of interest rates. During the second quarter of 2006 we entered into a derivative transaction designed to hedge our variable rate term loan. As a result of this derivative transaction we have successfully shielded ourselves from interest rate risks associated with our term loan. We are currently subject to interest rate risks associated with our short term investments and certain advances to our FertilityPartner clinics, both of which are tied to either short term interest rates or the prime rate. As of September 30, 2006, a one percent change in interest rates would impact our pre-tax income by approximately $250,000 annually.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 under the Exchange Act) as of September 30, 2006 (the "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were ineffective in timely alerting them to the material information relating to us required to be included in our periodic SEC filings. This conclusion is based on the material weakness in our internal control over financial reporting referred to below.

(b) Changes in internal controls.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. On October 30, 2006 management identified, and subsequently reported to the Audit Committee of the Board of Directors, a material weakness in our internal control over financial reporting. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The material weakness resulted in an error in our audited financial statements for the fiscal year ended December 31, 2005 and our unaudited financial statements and financial information for the three and six-month periods ended March 31, 2006 and June 30, 2006. As discussed in Note 10 to the condensed consolidated financial statements contained in Item 1 of this Form 10-Q, the related financial statements will be restated in order to correct an error regarding the deferred income tax accounting of acquiring the stock of Reproductive Partners, Inc. in January, 2005 in accordance with Financial Accounting Standards Board Emerging Issues Taskforce Issue No. 98-11- "Accounting for Acquired Temporary Differences in Certain Purchase Transactions That Are Not Accounted for as Business Combinations". The error was found after we reviewed our accounting for the above-mentioned transaction and noted that we did not properly account for the difference between the amount paid in the transaction (the book basis) and the tax basis of the assets acquired and therefore we understated the asset acquired and also understated the related deferred tax accounts. To remediate this material weakness we will implement additional controls and procedures related to the review and approval of accounting for non-routine transactions.

Other than these changes, there were no significant changes made in our internal controls during the period covered by this report or, to our knowledge, in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Part II – OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are party to legal proceedings in the ordinary course of business. As of September 30, 2006, none of these proceedings is expected to have a material adverse effect on our financial position, results of operations or cash flow.

Item 2. Unregistered Sales of Equity 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.

See Index to Exhibits on Page 23.

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 14, 2006

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

John W. Hlywak, Jr.
Executive Vice President and
Chief Financial Officer

(Principal Financial and
Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number		Exhibit
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, 2006.
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, 2006.
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, 2006.
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, 2006.