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INTEGRAMED AMERICA INC
Form 10-Q
August 13, 2004

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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 June 30, 2004

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 July 29, 2004 was 3,556,990.

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INTEGRAMED AMERICA, INC.
FORM 10-Q

TABLE OF CONTENTS

	PAGE
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements (unaudited)	
Consolidated Balance Sheets at June 30, 2004 and December 31, 2003.....	3
Consolidated Statements of Income for the three and six-month periods ended June 30, 2004 and 2003.....	4
Consolidated Statements of Cash Flows for the six-month periods ended June 30, 2004 and 2003	5
Notes to Consolidated Financial Statements	6-10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	11-17
Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	18
Item 4. Controls and Procedures.....	18
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings.....	19
Item 2. Changes in Securities, Use of Proceeds and Isser Purchases of Equity Securities.....	19
Item 3. Defaults upon Senior Securities.....	19
Item 4. Submission of Matters to a Vote of Security Holders.....	19
Item 5. Other Information.....	20
Item 6. Exhibits and Reports on Form 8-K.....	20
SIGNATURES	21
CERTIFICATIONS PURSUANT TO 18 U.S.C. ss.1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.....	EXHIBITS
CERTIFICATIONS PURSUANT TO 18 U.S.C ss.1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.....	EXHIBITS

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2

PART I -- FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

ASSETS

	June 30,	De
	-----	-----
	2004	2003
	-----	-----
	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 8,783	
Due from Medical Practices, net	10,019	
Pharmaceutical sales accounts receivable	1,532	
Deferred taxes	948	
Prepays and other current assets	2,649	

Total current assets	23,931	
Fixed assets, net	11,708	
Exclusive Service Rights, Net	21,066	
Deferred taxes	2,483	
Other assets	316	

Total assets	\$ 59,504	
	=====	

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 318	
Accrued liabilities	6,184	
Current portion of long-term notes payable and other obligations	3,216	
Patient deposits	12,644	

Total current liabilities	22,362	

Long-term notes payable and other obligations	3,630	

Commitments and contingencies		
Stockholders' Equity:		
Common Stock, \$.01 par value - 15,000,000 and 50,000,000 shares authorized in 2004 and 2003 respectively; and 3,553,733 and 3,544,292 shares issued in 2004 and 2003, respectively	37	
Capital in excess of par	48,042	
Deferred compensation	(411)	
Treasury stock, at cost - 7,360 and 89,595 shares in 2004 and 2003, respectively	(47)	
Accumulated deficit	(14,109)	

Total stockholders' equity	33,512	

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Total liabilities and stockholders' equity \$ 59,504
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See accompanying notes to the consolidated financial statements.

3

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

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2004	2003	2004	2003
	(unaudited)		(unaudited)	
Revenues, net:				
FertilityPartners Service Fees	\$ 21,475	\$ 19,397	\$ 42,073	\$ 37,771
Pharmaceutical sales	3,903	4,431	7,669	9,293
FertilityDirect revenues	1,515	673	2,545	1,147
	-----	-----	-----	-----
Total revenues	26,893	24,501	52,287	48,211
Cost of services and sales:				
FertilityPartners Service Fees	19,298	16,759	37,847	33,124
Pharmaceutical costs	3,749	4,318	7,373	9,060
FertilityDirect costs	1,075	466	1,821	756
	-----	-----	-----	-----
Total costs of services and sales ..	24,122	21,543	47,041	42,940
Contribution:				
FertilityPartners Service Fees	2,177	2,638	4,226	4,647
Pharmaceutical contribution	154	113	296	233
FertilityDirect contribution	440	207	724	391
	-----	-----	-----	-----
Total contribution	2,771	2,958	5,246	5,271
General and administrative expenses	2,230	2,350	4,372	4,435
Interest income	(62)	(22)	(120)	(44)
Interest expense	72	13	152	32
	-----	-----	-----	-----
Total other expenses	2,240	2,341	4,404	4,423
Income before income taxes	531	617	842	848

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Income tax provision	211	240	335	331
	-----	-----	-----	-----
Net income applicable to Common Stock	\$ 320	\$ 377	\$ 507	\$ 517
	=====	=====	=====	=====
Basic earnings per share of Common Stock .	\$ 0.09	\$ 0.11	\$ 0.14	\$ 0.15
	=====	=====	=====	=====
Diluted earnings per share of Common Stock	\$ 0.08	\$ 0.11	\$ 0.13	\$ 0.15
	=====	=====	=====	=====
Weighted average shares - basic	3,653	3,392	3,610	3,374
	=====	=====	=====	=====
Weighted average shares - diluted	3,861	3,535	3,821	3,530
	=====	=====	=====	=====

See accompanying notes to the consolidated financial statements.

4

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

	For the six-month ended J
	----- 2004 ----- (unaud
Cash flows from operating activities:	
Net income	\$ 507
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	2,397
Change in assets and liabilities--	
Decrease (increase) in assets:	
Due from Medical Practices	(1,101)
Pharmaceutical sales accounts receivable	(48)
Prepays and other current assets	745
Other assets	(38)
Increase (decrease) in liabilities:	
Accounts payable	(942)
Accrued liabilities	2,003
Patient deposits	3,152

Net cash provided by operating activities	6,675

Cash flows used in investing activities:	
Payment for Exclusive Service Rights	(1,204)
Proceeds from sale of fixed assets	--

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Proceeds from sale of intangible assets	--
Purchase of fixed assets and leasehold improvements	(2,950)

Net cash used in investing activities	(4,154)

Cash flows used in financing activities:	
Principal repayments on debt	(639)
Principal repayments under capital lease obligations	(26)
Proceeds from exercise of common stock warrants and options	487
Repurchase of common stock	(445)

Net cash used in financing activities	(623)

Net change in cash	1,898
Cash at beginning of period	6,885

Cash at end of period	\$ 8,783
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See accompanying notes to the consolidated financial statements.

5

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 June 30, 2004, 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, 2004. 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, 2003.

NOTE 2 -- EARNINGS PER SHARE:

The reconciliation of the numerators and denominators of the basic and

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diluted EPS computations for the three and six-month periods ended June 30, 2004 and 2003 is as follows (000's omitted, except for per share amounts):

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2004	2003	2004	2003
Numerator				
Income applicable to Common Stock	\$ 320	\$ 377	\$ 507	\$ 517
	=====	=====	=====	=====
Denominator				
Weighted average shares outstanding	3,653	3,392	3,610	3,374
Effect of dilutive options and warrants	208	143	211	156
	-----	-----	-----	-----
Weighted average shares and dilutive potential Common shares	3,861	3,535	3,821	3,530
Basic EPS	\$ 0.09	\$ 0.11	\$0.14	\$ 0.15
	=====	=====	=====	=====
Diluted EPS	\$ 0.08	\$ 0.11	\$0.13	\$ 0.15
	=====	=====	=====	=====

For the three- and six-month periods ended June 30, 2004, 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 price of all outstanding options was less than the average market price of the shares of Common Stock. For the three- and six-month periods ended June 30, 2003, the effect of the assumed exercise of options to purchase approximately 129,000 shares of Common Stock at exercise prices ranging from \$5.98 to \$6.15 per share was excluded in computing the diluted per share amount because the exercise prices of the 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 six-month periods ended June 30, 2004, 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 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 six-month periods ended June 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

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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 June 30, 2004			
Revenues.....	\$ --	\$22,990	\$3,903
Cost of services.....	--	20,373	3,749
	-----	-----	-----
Contribution.....	--	2,617	154
General and administrative costs.....			
Interest, net.....			
Income before income taxes.....			
Depreciation expense included above.....			
Capital expenditures.....	108	1,028	--
Total assets.....	10,225	45,142	4,137
For the six months ended June 30, 2004			
Revenues.....	\$ --	\$44,618	\$7,669
Cost of services.....	--	39,668	7,373
	-----	-----	-----
Contribution.....	--	4,950	296
General and administrative costs.....			
Interest, net.....			
Income before income taxes.....			
Depreciation expense included above.....			
Capital expenditures.....	142	2,808	--
Total assets.....	10,225	45,142	4,137

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	Corporate -----	Business Services -----	Pharmaceutic Distributio -----
For the three months ended June 30, 2003			
Revenues.....	\$ --	\$20,070	\$4,431
Cost of services.....	--	17,225	4,318
	-----	-----	-----
Contribution.....	--	2,845	113
General and administrative costs.....			
Interest, net.....			
Income before income taxes.....			
Depreciation expense included above.....			
Capital expenditures.....	133	444	--
Total assets.....	6,445	40,979	1,317
For the six months ended June 30, 2003			
Revenues.....	\$ --	\$38,918	\$9,293
Cost of services.....	--	33,880	9,060
	-----	-----	-----
Contribution.....	--	5,038	233
General and administrative costs.....			
Interest, net.....			
Income before income taxes.....			
Depreciation expense included above.....			
Capital expenditures.....	281	911	--
Total assets.....	6,445	40,979	1,317

NOTE 4 -- STOCK-BASED EMPLOYEE COMPENSATION:

At June 30, 2004, 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. Prior to fiscal 2003, the Company accounted for those plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. Under this standard, 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. Effective January 1, 2003, the Company adopted the fair value recognition provisions of FAS No. 123, Accounting for Stock-Based Compensation, prospectively to all employee awards granted, modified, or settled after January 1, 2003. Awards under the company's plans vest over a period of ten years from the date of grant. Therefore, the cost related to stock-based employee compensation included in the determination of net income for 2004 and 2003 is less than that which would have been recognized if the fair value based method had been applied to all awards since the effective date of Statement 123. The following table illustrates the effect on net income and earnings per share as if the fair value based method had been applied to all outstanding and unvested awards in each period. (000's omitted, except per share amounts).

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

	For the three-month period ended June 30,	
	2004	2003
Net Income, as reported.....	\$ 320	\$ 377
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.....	(61)	(83)
Pro forma net income.....	259	294
Earnings per share:		
Basic-as reported.....	\$0.09	\$0.11
Basic-pro forma.....	\$0.08	\$0.09
Diluted-as reported.....	\$0.08	\$0.11
Diluted-pro forma.....	\$0.07	\$0.08

NOTE 5- 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 had retained WINFertility in April 2001 to provide claims management services in connection with the Company's Shared Risk Refund Program. WINFertility failed to provide the services for which the Company contracted and the Company terminated the contract in May 2002. 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. The matter is scheduled for trial in September 2004.

There are other minor legal proceedings to which the Company is a party.

Litigation is subject to many uncertainties and management is unable to predict the outcome of pending suits and claims. It is possible that the result of operations or liquidity and capital resources of the Company could be adversely affected by the ultimate outcome of pending litigation or as a result of the costs of contesting such lawsuits. The Company is currently unable to

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estimate the ultimate liability, if any, that may result from pending litigation and accordingly, no material provision for any liability has been made for such pending litigation in the consolidated financial statements. When the Company is reasonably able to determine the probable minimum or ultimate liability, if any, that may result from any of pending litigation, the Company will record a provision for such liability to the extent not covered by insurance.

9

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

NOTE 6 -- 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, 2003, none of those policies have changed, nor have any been added.

At this time, there are no recently issued accounting standards, which impact the Company.

10

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, 2003.

Overview

IntegraMed America, Inc. offers products and services to patients and providers in the fertility industry. The IntegraMed Provider Network is comprised of twenty-five fertility centers in major markets across the United States and the Council of Physicians and Scientists. Eighteen Affiliate fertility centers purchase discrete service packages provided by us and seven fertility centers have access to the entire portfolio of products and services under the comprehensive FertilityPartners(TM) program. All twenty-five fertility centers have access to our consumer services, principally pharmaceutical products and patient treatment financing products.

Our strategy is to align information, technology and finance for the benefit of fertility patients, providers, and payers. The primary elements of our strategy includes: (i) expanding our Provider Network into new major markets; (ii) increasing the number and value of service packages purchased by members of our Provider Network; (iii) entering into additional FertilityPartners(TM) contracts; (iv) increasing revenues at contracted FertilityPartners(TM) centers; (v) increasing the number of Shared Risk Refund treatment packages sold to patients of our Provider Network 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

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to personalized health information.

Major events impacting financial condition and results of operations

During 2003, we re-negotiated revised fee structures on three of our existing FertilityPartner contracts. In all three of these contracts, the timetable for the phase-in of contracted fee reductions, which are based on the earnings of the underlying fertility centers, were delayed by one year from fiscal 2004 to fiscal 2005. Beginning in the year 2006, these revised contracts, also contain clauses placing a maximum annual limit on the amount of fees we can earn, which are based on the earnings of the underlying fertility centers. These maximum annual limitations are below the fees earned by us on these portions of the contracts in fiscal year 2003 and below the expected earnings from these portions of the contracts in fiscal 2004. We believe that these fee limitations will be offset by volume-based increases in fees earned in other areas of our existing contracts, the sale of new FertilityPartner contracts and growth in our FertilityDirect business unit.

In July 2003, we amended our existing credit agreements with Bank of America, then Fleet Bank, N.A. The amended agreement is comprised of a renewal of our \$7.0 million three-year working capital revolver and a new \$5.75 million three year term loan, of which \$0.75 million was used to retire the outstanding balance on our previous term loan. We believe that these credit facilities will be sufficient to fund our current operational, capital investment and acquisition plans.

On September 1, 2003, we signed a FertilityPartners agreement with the Charlotte, North Carolina based Reproductive Endocrinology and Andrology of Charlotte ("REACH") physician practice. Under the terms of this 15-year agreement, our service fees are comprised of reimbursed costs of services, a tiered percentage of revenues, and an additional fixed percentage of REACH's earnings. We have also committed up to \$2 million to fund the development and equipping of a new state-of-the-art facility to house the clinical practice and embryology laboratory for REACH and its patients.

In January 2004, we signed a FertilityPartner agreement to supply a complete range of business, marketing and facility services to a group of fertility physicians in the Seattle, Washington metropolitan area. Under the terms of the 15-year agreement, IntegraMed will build a new facility and help the group to establish a private, full service fertility center. We have committed up to \$2 million to fund the development and equipping of a new state-of-the-art facility to house the clinical practice and embryology laboratory for the group and its patients. Upon its completion, the facility will accommodate the existing patient volume and future anticipated growth. Based on the terms of this transaction, we have been paid a fixed services fee

11

commencing in January of 2004, and continuing until the new facility is open, which is anticipated to be in the fourth quarter of 2004. At that time, our service fees will be comprised of our standard reimbursed costs of services, a fixed percentage of revenues, plus an additional fixed percentage of the new center's earnings.

We continue to aggressively promote our Shared Risk Refund Program. The Shared Risk Refund Program is an innovative treatment and financing program, which consists of up to three treatment 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, we receive payment directly from consumers who qualify for the program and pay contracted fertility centers a

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defined reimbursement for each treatment cycle performed. We manage 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.

Results of Operations

The following table shows the percentage of net revenues represented by various expense and other income items reflected in our Consolidated Statement of Operations.

	For the three-month period ended June 30,	
	2004	2003
	----- (unaudited) -----	
Revenues, net		
FertilityPartners Service Fees.....	79.9%	79.2%
Pharmaceutical Sales.....	14.5%	18.1%
FertilityDirect Revenues.....	5.6%	2.7%
Total Revenues.....	100.0%	100.0%
Costs of services incurred:		
FertilityPartners costs.....	71.8%	68.4%
Pharmaceutical costs.....	13.9%	17.6%
FertilityDirect costs.....	4.0%	1.9%
Total Costs of services and sales.....	89.7%	87.9%
Contribution		
FertilityPartners contribution.....	8.1%	10.8%
Pharmaceutical contribution.....	0.6%	0.5%
FertilityDirect contribution.....	1.6%	0.8%
Total contribution.....	10.3%	12.1%
General and administrative expenses.....	8.3%	9.6%
Interest income.....	(0.2)%	(0.1)%
Interest expense.....	0.2%	0.1%
Total other expenses.....	8.3%	9.6%
Income before income taxes.....	2.0%	2.5%
Provision for income taxes.....	0.8%	1.0%
Net income.....	1.2%	1.5%

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Revenues for the three months ended June 30, 2004 increased by a net of approximately \$2.4 million, or 9.8%, from the same period in 2003. The main growth factors contributing to this increase were:

- (i) Revenues at FertilityPartner centers increased by \$2.1 million, or 10.7%. This increase resulted from strong patient volume and clinical billings among our six FertilityPartner centers currently servicing patients and is mainly attributable to our on going consumer marketing programs. Revenue from the seventh FertilityPartner center, located in the metropolitan Seattle, Washington area, consisted of development fees, as this clinic is currently not scheduled to begin servicing patients until the fourth quarter of 2004. The two new FertilityPartners agreements signed in September 2003 and January 2004, representing the clinics located in North Carolina and Seattle respectively, contributed revenues totaling \$1.1 million in the second quarter of 2004. Revenues from these two FertilityPartner agreements helped to partially offset revenue lost by the termination of our FertilityPartner agreement with RSA of New York in June of 2003. The RSA of New York agreement had generated revenues of \$2.6 million in the second quarter of 2003 and no revenues in 2004.
- (ii) Revenue at our pharmaceutical unit decreased by \$0.5 million, or 11.9% from the same period in 2003. This reduction in revenue was the result of our decision in 2003 to de-emphasize the sale of certain high volume products due to their lack of profitability. Because of this decision in our third quarter of 2003, we had a drop in revenue from our pharmaceutical unit. Since the first quarter of 2004, revenues have increased on a quarterly basis. We expect this trend to continue and have recently reorganized our pharmaceutical marketing support resources in an attempt to continue to build volume and revenues in future periods.
- (iii) FertilityDirect revenues, which are comprised primarily of our Shared Risk Refund program and membership fees from affiliated clinics, increased by \$0.8 million, or 125.1% from prior year levels. We plan to continue the aggressive promotion of our FertilityDirect programs through direct to consumer marketing and anticipate that these programs will continue to play an increasing role in our financial results.

Contribution of \$2.8 million for the second quarter of 2004 was down \$0.2 million, or 6.3% from 2003 levels. As a percentage of revenue, the contribution margin was 10.3% for 2004 versus 12.1% in 2003. The following factors had a significant effect on second quarter 2004 contribution:

- (i) Contribution generated by the FertilityPartners agreements decreased by \$0.5 million in the second quarter of 2004 versus the same period in 2003. This decrease was principally the result of the contribution lost due to the termination of our FertilityPartner agreement with RSA of New York in 2003. The RSA of New York generated \$0.5 million in contribution during the second quarter of 2003, including a one-time termination payment of \$238,000.
- (ii) Pharmaceutical contribution increased by \$41,000, or 36.3%, and margin rates increased to 3.9% from 2.6% from the second quarter of 2003. These increases were a result of the decision to restructure our mix of products in response to previously disclosed pricing issues in the marketplace. We anticipate that

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our pharmaceutical margins will stabilize in the range of 3.5 - 4.0% for the balance of 2004.

- (iii) Contribution from the FertilityDirect program increased by \$233,000, or 112.6% from the same period in the prior year. This increase was driven by increased Shared Risk Refund patient volume, as well as a higher monthly membership fee structure introduced in January 2004 for affiliated clinics.

13

General and Administrative expenses decreased by \$120,000 in the second quarter of 2004 versus the same period in 2003. This decrease is mainly the result of lower consulting, legal and employee meeting costs in the second quarter of 2004 as compared to the same period in 2003.

Interest income rose to \$62,000 for the quarter ended June 30, 2004, from \$22,000 in 2003. This increase was mainly attributable to finance charges assessed to various FertilityPartner locations on invested capital in excess of predefined limits. Interest expense also increased by \$59,000 from the same quarter in the prior year as a result of higher debt levels in conjunction with our renegotiated credit facilities and a draw-down on our revolving line of credit.

The provisions for income tax were approximately \$211,000, or 39.8% of pre-tax income versus \$240,000, or 39.0% for the quarters ended June 30, 2004 and 2003, respectively. There were no Federal income tax payments during either 2003, or 2004 to date due to the utilization of our net operating loss carry forwards. The effective tax rates for both 2004 and 2003 reflect a provision for current state taxes as well as amortization of our deferred Federal tax asset.

Six Months Ended June 30, 2004 Compared to Six Months Ended June 30, 2003

Revenues for the six months ended June 30, 2004 increased by a net of approximately \$4.1 million, or 8.5%, from the same period in 2003. The main factors contributing to this increase were:

- (i) Revenues at FertilityPartner centers increased by \$4.3 million, or 11.4%. This increase resulted from continued practice growth among the six FertilityPartner centers currently servicing patients. Growth from the same period in the prior year is mainly attributable to on going consumer marketing programs, infrastructure investments and network expansion. The seventh FertilityPartner center, located in the metropolitan Seattle, Washington area, is currently not scheduled to begin servicing patients until the fourth quarter of 2004. The two FertilityPartners agreements signed subsequent to September 1, 2003, and located in North Carolina and Seattle, contributed revenues of \$2.1 million in the first six months of 2004. Revenues from these two new FertilityPartner agreements helped to partially offset revenue lost by the termination of our FertilityPartner agreement with RSA of New York in June of 2003. The RSA of New York agreement had generated revenues of \$4.8 million in the first half of 2003 and no revenues in 2004.
- (ii) Revenue at our pharmaceutical unit decreased by \$1.6 million, or 17.5% from the same period in 2003. As previously stated, this reduction was the result of the decision in mid-2003 to shift its product mix emphasis away from the sale of certain high

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volume/low profit products to a product mix offering more stable, higher margins.

- (iii) FertilityDirect revenues, comprised primarily of the Shared Risk Refund program and fees from affiliated clinics, increased by \$1.4 million, or 121.9% from the same period in 2003. We plan to continue the aggressive development and promotion of our FertilityDirect product lines. During the first half of 2004, we introduced a series of co-marketing programs with our network clinics designed to provide a more efficient, focused and consistent national marketing presence. Results of this initiative are anticipated to benefit both our FertilityPartner and FertilityDirect product lines.

Contribution of \$5.2 million for the first half of 2004 was consistent with contribution levels during the same period of 2003. As a percentage of revenue, the contribution margin was 10.0% for 2004 versus 10.9% in 2003. The following factors had a significant effect on first quarter 2004 contribution:

- (i) Contribution generated by the FertilityPartner agreements decreased by \$0.4 million in the first six months of 2004 relative to the same period in 2003. As previously stated, this decrease was principally the result of the contribution lost due to the termination of our FertilityPartner agreement with RSA of New York in 2003. The RSA of New York generated \$0.7 million in contribution during the first half of 2003, versus no

14

contribution in 2004. Contribution generated from the new North Carolina and Seattle based FertilityPartner locations was \$0.2 million during the first two quarters of 2004.

- (ii) Pharmaceutical contribution increased by \$63,000, or 27.0%, from the first six months of 2003, despite the reduction in revenue as described above. As a result of implementing a strategy designed to focus on lower volume/higher margin products, pharmaceutical margins have risen from 2.5% in the first six months of 2003, to 3.9% for the same period in 2004. We expect to maintain pharmaceutical margins in the 3.5% - 4.0% range during the second half of 2004 while we continue to provide additional marketing support designed to help build sales volume.
- (iii) Contribution from the FertilityDirect program increased by \$333,000, or 85.2% from the same period in the prior year. This increase reflects increased Shared Risk Refund patient volume, as well as higher monthly membership fees for affiliated clinics. The higher affiliate fee structure, introduced in January 2004, reflects the growing value of network membership.

General and Administrative expenses decreased slightly by \$63,000 in the first six months of 2004 versus the same period in 2003. This decrease is mainly the result of lower professional service fees and internet marketing costs in the first six months of 2004 as compared to the same period in 2003.

Interest income increased by \$76,000 to \$120,000 for the six months ended June 30, 2004, from \$44,000 in the same period in 2003. This increase was mainly attributable to finance charges assessed to various FertilityPartner locations

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on invested capital in excess of predefined limits. Interest expense also increased to \$152,000 from \$32,000 from the same period in the prior year as a result of higher debt levels incurred in conjunction with our new credit facilities and a draw-down on our revolving line of credit.

Our provisions for income taxes were approximately \$335,000, or 39.8% of pre-tax income versus \$331,000, or 39.0% for the six months ended June 30, 2004 and 2003, respectively. There were no Federal income tax payments during either 2003, or 2004 to date due to the utilization of net operating loss carry forwards. Our effective tax rates for both 2004 and 2003 reflect a provision for current state taxes as well as amortization of our deferred Federal tax asset.

Off-balance Sheet Arrangements

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 special purpose entities ("SPE's"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of June 30, 2004, we were not involved in any material unconsolidated SPE transactions.

Liquidity and Capital Resources

Historically, we have financed our operations by the sale of equity securities, issuance of notes and internally generated resources. In addition, we also use bank financing for working capital and business development purposes. Due to our continued capital investment in the expansion of several of our FertilityPartner locations, as well as incurring an obligation for the payment of additional Service Rights related to the Seattle FertilityPartner contract, working capital decreased during the first six months of 2004 to \$1.6 million as of June 30, 2004, from \$3.3 million as of December 31, 2003. We believe that working capital and, specifically, cash and cash equivalents remain at adequate levels to fund our operations. As of June 30, 2004, we have substantially completed our expansion commitment at three of our FertilityPartner locations, and had yet to incur any substantial capital expenditures related to the \$2.0 million commitment under the Seattle FertilityPartner contract. We believe that the cash flows from our operations plus the existing credit facility and term loan will be sufficient to provide for our future liquidity needs for the next twelve months.

On July 31, 2003, we amended our existing credit facility with Bank of America. 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 \$5.0 million was used during 2003 for the acquisition of fixed

assets and to fund the payment for Exclusive Business Rights in connection with the North Carolina transaction and \$0.75 million was used to repay the remaining outstanding balance of the previous credit facility. Each component 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 2.25% to 2.75% 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. 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 June 30, 2004, we had

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borrowed \$2.0 million under the working capital revolver agreement for general corporate purposes. The remaining working capital revolver balance of \$5.0 million is available to us. The Bank of America credit facility is collateralized by all of our assets. The credit facility is subject to several covenants, all of which have been met at June 30, 2004.

We continuously review 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 June 30, 2004, 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.....	\$ 6,600,000	\$ 3,150,000	\$ 3,450,000	\$ --
Capital lease obligations.....	246,000	66,000	180,000	--
Operating leases.....	28,002,000	4,717,000	9,273,000	7,350,000
FertilityPartners capital and other.....	2,700,000	2,700,000	--	--
Total contractual cash Obligations.....	\$37,548,000	\$10,633,000	\$12,903,000	\$7,350,000

	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	\$ --

We also have commitments to provide accounts receivable financing under our FertilityPartners agreements. Our 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 we have 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.

We are responsible for the collection of receivables, which are financed with full recourse. We have 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, we could draw on our existing working capital line of credit. We make payments on behalf of the

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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. Other than the capital and other commitments, we have no other funding commitments to the FertilityPartners.

Recent Accounting Standards

At this time, there are no recently issued accounting standards, which impact the Company.

Forward Looking Statements

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 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 their forward-looking statements whether as a result of new information, future events or otherwise.

17

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, 2003. There have been no significant changes in our market risk exposures from the fiscal 2003 year end.

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 June 30, 2004 (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 effective in timely alerting them to

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the material information relating to us required to be included in our periodic SEC filings.

(b) Changes in internal controls.

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.

18

Part II - OTHER INFORMATION

Item 1. Legal Proceedings.

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 had retained WINFertility in April 2001 to provide claims management services in connection with the Company's Shared Risk Refund Program. WINFertility failed to provide the services for which the Company contracted and the Company terminated the contract in May 2002. 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. The matter is scheduled for trial in September 2004.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

In May 2004, the Company retired all 140,116 shares of its Common Stock then being held as treasury shares.

In June 2004, the Company obtained 7,360 shares of its Common Stock that are now held as treasury shares. These shares represent reimbursement certain officers made to the Company for the withholding of taxes paid, on their behalf, by the Company on a stock grant issued in 2004. The Company currently has no plans to dispose of these shares.

Item 3. Defaults Upon Senior Securities. None.

Item 4. Submission of Matters to Vote of Security Holders.

At an Annual Stockholders Meeting held on May 18, 2004, the following matters were acted upon by the Stockholders with the indicated votes thereon:

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Proposal 1- Election of Directors

Director -----	For ---	Against -----
Gerardo Canet	3,024,889	29,084
Sarason D. Liebler	3,024,889	29,084
Wayne R. Moon	3,024,889	29,084
Lawrence J. Stuesser	3,024,889	29,084
Elizabeth E. Tallett	3,024,889	29,084

Proposal 2- Amendment to the Company's Certificate of Incorporatin reducing the number of shares authorized from 50,000,000 to 15,000,000

For ---	Against -----	Abstentions -----	Broker Non-Votes -----
3,038,559	12,286	988	0

19

Item 5. Other Information.
None.

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

(a) See Index to Exhibits on Page 22.

(b) Reports on Form 8-K

For the quarter ended June 30, 2004, Registrant filed Form 8-K's dated April 6, 2004, April 26, 2004, April 28, 2004, May 20, 2004, June 22, 2004 and June 28, 2004.

Subsequent to June 30, 2004, Registrant filed Form 8-K's dated July 29, 2004, August 3, 2004 and August 6, 2004.

20

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

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undersigned thereunto duly authorized.

INTEGRAMED AMERICA, INC.
(Registrant)

Date: August 13, 2004

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

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

21

Exhibit Number -----		Exhibit -----
3.1(e)	--	Certificate of Amendment to the Amended and Restated Certificate of Incorporation.
3.1(f)	--	Restated Certificate of Incorporation of IntegraMed America, Inc.
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 August 13, 2004.
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 August 13, 2004.
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 August 13, 2004.
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 August 13, 2004.

22