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INTEGRAMED AMERICA INC
Form 10-Q
August 14, 2002

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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, 2002

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 (I.R.S. employer identification no.)
incorporation or organization)

One 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 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

The aggregate number of shares of the Registrant's Common Stock, \$.01 par value, outstanding on July 31, 2002 was 3,335,765.

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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 per share amounts)

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ASSETS		June 30	Dece
		2002	---
		-----	-----
Cash and cash equivalents	\$ 3,683	\$	---
Due from Medical Practices, net	5,599		
Pharmaceutical sales accounts receivable	3,403		
Prepays and other current assets	1,999		
	-----		---
Total current assets	14,684		1
Fixed assets, net	5,655		
Intangible assets, net	20,343		1
Deferred taxes	4,222		
Other assets	214		
	-----		---
Total assets	\$ 45,118	\$ 4	---
	=====		=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 2,097	\$	---
Accrued liabilities	4,608		
Current portion of long-term notes payable and other obligations	1,295		
Patient deposits	6,418		
	-----		---
Total current liabilities	14,418		1
	-----		---
Long-term notes payable and other obligations	750		---
	-----		---
Shareholders' equity:			
Preferred Stock, \$1.00 par value - 3,165,644 shares authorized in 2002 and 2001, 2,500,000 undesignated; 665,644 shares designated as Series A Cumulative Convertible of which 13,852 and 165,644 shares were issued and outstanding in 2002 and 2001, respectively	14		
Common Stock, \$.01 par value - 50,000,000 shares authorized in 2002 and 2001; and 3,114,094 and 3,057,877 shares issued in 2002 and 2001, respectively ..	31		
Capital in excess of par	46,103	4	---
Accumulated deficit	(16,198)	(1	---
	-----		---
Total shareholders' equity	29,950		3
	-----		---
Total liabilities and shareholders' equity	\$ 45,118	\$ 4	---
	=====		=====

See accompanying notes to the consolidated financial statements.

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(all amounts in thousands, except per share amounts)

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2002	2001	2002	2001
	(unaudited)		(unaudited)	
Revenues, net				
Reproductive Science Center service fees	\$ 16,582	\$ 14,646	\$ 32,407	\$ 27,700
Pharmaceutical sales	4,444	3,602	8,664	7,700
Other revenues	396	39	627	627
	21,422	18,287	41,698	36,027
Cost of services and sales:				
Reproductive Science Center costs	14,069	12,069	27,661	22,661
Pharmaceutical costs	4,278	3,435	8,336	6,666
Other costs	433	176	553	553
	18,780	15,680	36,550	29,880
Contribution:				
Reproductive Science Center contribution	2,513	2,577	4,746	4,746
Pharmaceutical contribution	166	167	328	328
Other contribution	(37)	(137)	74	74
	2,642	2,607	5,148	5,148
General and administrative expenses	1,943	1,880	3,746	3,746
Amortization of intangible assets	251	225	476	476
Interest income	(14)	(44)	(52)	(52)
Interest expense	41	77	79	79
	2,221	2,138	4,249	4,249
Income before income taxes	421	469	899	899
Income tax provision	111	63	297	297
	310	406	602	602
Net income	\$ 310	\$ 406	\$ 602	\$ 602
Less: Dividends paid and/or accrued on Preferred Stock	33	33	66	66
	277	373	536	536
Net income applicable to Common Stock	\$ 277	\$ 373	\$ 536	\$ 536
Basic earnings per share of Common Stock:	\$ 0.09	\$ 0.12	\$ 0.17	\$ 0.17
Diluted earnings per share of Common Stock	\$ 0.08	\$ 0.12	\$ 0.16	\$ 0.16
Weighted average shares - basic	3,096	2,993	3,079	3,079
Weighted average shares - diluted	3,485	3,105	3,372	3,372

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See accompanying notes to the consolidated financial statements.

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

	For six-month ended J ----- 2002 ----- (unaud
Cash flows from operating activities:	
Net income	\$ 602
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,335
Change in assets and liabilities--	
Decrease (increase) in assets:	
Due from Medical Practices	(650)
Pharmaceutical sales accounts receivable	(1,892)
Business Services fees receivable	237
Prepays and other current assets	(38)
Other assets	618
Increase (decrease) in liabilities:	
Accounts payable	661
Accrued liabilities	(558)
Patient deposits	1,767
Net cash provided by operating activities	1,845
Cash flows used in investing activities:	
Payment for exclusive Business Service rights	(3,440)
Purchase of fixed assets and leasehold improvements	(1,252)
Net cash used in investing activities	(4,692)
Cash flows used in financing activities:	
Principal repayments on debt	(500)
Principal repayments under capital lease obligations	(72)
Repurchase of preferred stock	(1,519)
Repurchase of Common Stock	--
Proceeds from exercise of Common Stock Warrants and Options	70
Issuance of restricted stock grants	112
Dividends paid on Convertible Preferred Stock	(66)
Net cash used in financing activities	(1,975)

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Net increase (decrease) in cash	(4,822)
Cash at beginning of period	8,505

Cash at end of period	\$ 3,683
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See accompanying notes to the consolidated financial statements.

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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, 2002, and the results of operations and cash flows for the interim period presented. Operating results for the interim period are not necessarily indicative of results that may be expected for the year ending December 31, 2002. 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, 2001.

NOTE 2 -- EARNINGS PER SHARE:

The reconciliation of the numerators and denominators of the basic and diluted EPS from continuing operations computations for the three-month and six-month periods ended June 30, 2002 and 2001 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,	
	2002	2001	2002	2001
	-----	-----	-----	-----
Numerator				
Net Income	\$ 310	\$ 406	\$ 602	\$ 765
Less: Preferred stock dividends	(33)	(33)	(66)	(66)

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Income applicable to Common Stock	\$ 277	\$ 373	\$ 536	\$ 699
	=====	=====	=====	=====
Denominator				
Weighted average shares outstanding	3,096	2,993	3,079	3,109
Effect of dilutive options and warrants	389	112	293	41
	-----	-----	-----	-----
Weighted average shares and dilutive potential Common shares	3,485	3,105	3,372	3,150
	=====	=====	=====	=====
Basic EPS	\$ 0.09	\$ 0.12	\$ 0.17	\$ 0.22
	=====	=====	=====	=====
Diluted EPS	\$ 0.08	\$ 0.12	\$ 0.16	\$ 0.22
	=====	=====	=====	=====

For the three and six-month period ended June 30, 2002, the effect of the assumed exercise of options to purchase approximately 32,500 shares of Common Stock at an exercise price of \$8.57 per share was excluded in computing the diluted per share amount because the exercise price of the options was greater than the average market price of the shares of Common Stock, therefore causing these options to be antidilutive. For the three and six-month period ended June 30, 2001, the effect of the assumed exercise of options to purchase approximately 247,000 and 473,000 shares of common stock at exercises prices ranging from \$4.50 to \$5.38 and from \$4.00 to \$5.38, respectively, per share, were excluded in computing the diluted per share amount because the exercise prices of the options were greater than the average market price of the shares of Common Stock, thereby causing these options to be antidilutive. For the three and six month period ended June 30, 2001, the effect of the assumed exercise of warrants to purchase approximately 25,000 and 62,000 shares of Common Stock at exercise prices ranging from \$5.13 to \$7.24 and \$4.12 to \$7.24, respectively, per share, were excluded in computing the diluted per share amount because the exercise prices of the warrants were greater than the average market price of the shares of Common Stock, thereby causing these warrants to be antidilutive.

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For the three and six-month period ended June 30, 2002 approximately 12,000 shares of Common Stock from the assumed conversion of Preferred Stock were excluded in computing the diluted per share amount as they were antidilutive. For the three and six-month period ended June 30, 2001, approximately 133,000 shares of Common Stock from the assumed conversion of Preferred Stock were excluded in computing the diluted per share amount as they were antidilutive.

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 Reproductive Science Centers and its pharmaceutical distribution operations as separate reporting segments. The Business Services segment includes revenues and costs categorized as Reproductive Science Center Service Fees and Other Revenues, as follows (000's omitted):

	Corporate	Business Services	Pharmaceutical Distribution	Consolidated
	-----	-----	-----	-----

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For the three months ended June 30, 2002

Revenues	\$ --	\$16,978	\$ 4,444	\$21,422
Cost of services	--	14,502	4,278	18,780
	-----	-----	-----	-----
Contribution	--	2,476	166	2,642
General and administrative costs ..	1,943	--	--	1,943
Amortization of intangibles	--	251	--	251
Interest, net	19	8	--	27
	-----	-----	-----	-----
Income before income taxes	\$ (1,962)	\$ 2,217	\$ 166	\$ 421
	=====	=====	=====	=====
Depreciation expense included above	\$ 77	\$ 373	\$ --	\$ 450
Capital expenditures	\$ 27	\$ 678	\$ --	\$ 705
Total assets	\$ 7,568	\$34,238	\$ 3,312	\$45,118

For the six months ended June 30, 2002

Revenues	\$ --	\$33,034	\$ 8,664	\$41,698
Cost of services	\$ --	\$28,214	\$ 8,336	\$36,550
	-----	-----	-----	-----
Contribution	--	4,820	328	5,148
General and administrative costs ..	3,746	--	--	3,746
Amortization of intangibles	1	475	--	476
Interest, net	18	11	(2)	27
	-----	-----	-----	-----
Income (loss) before income taxes .	\$ (3,765)	\$ 4,334	\$ 330	\$ 899
	=====	=====	=====	=====
Depreciation expense included above	\$ 145	\$ 715	\$ --	\$ 860
Capital expenditures	\$ 130	\$ 1,122	\$ --	\$ 1,252
Total assets	\$ 7,568	\$34,238	\$ 3,312	\$45,118

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	Corporate	Business Services	Pharmaceutical Distribution	Consolidated
	-----	-----	-----	-----
For the three months ended June 30, 2001				
Revenues	\$ --	\$ 14,685	\$ 3,602	\$ 18,287
Cost of Services	--	12,245	3,435	15,680
Contribution	--	2,440	167	2,607
	-----	-----	-----	-----
General and administrative expenses	1,880	--	--	1,880
Amortization of intangibles	1	222	2	225
Interest, net	42	(6)	(3)	33
	-----	-----	-----	-----
Income before income taxes	\$ (1,923)	\$ 2,224	\$ 168	\$ 469
	=====	=====	=====	=====
Depreciation expense included above	\$ 108	\$ 300	\$ --	\$ 408
Capital expenditures	\$ 104	\$ 410	\$ --	\$ 514
Total assets	\$ 5,063	\$ 34,743	\$ 1,862	\$ 41,668

For the six months ended June 30, 2001

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Revenues	\$ --	\$ 27,715	\$ 7,063	\$ 34,778
Cost of Services	\$ --	\$ 23,066	\$ 6,758	\$ 29,824
Contribution	--	4,649	305	4,954
Other costs	3,569	--	--	3,569
Amortization of intangibles	2	435	4	441
Interest, net	86	(17)	(4)	65
	-----	-----	-----	-----
Income before income taxes	\$ (3,657)	\$ 4,231	\$ 305	\$ 879
	=====	=====	=====	=====
Depreciation expense included above	\$ 214	\$ 574	\$ --	\$ 788
Capital expenditures	\$ 161	\$ 1,130	\$ --	\$ 1,291
Total assets	\$ 5,063	\$ 34,743	\$ 1,862	\$ 41,668

NOTE 4 -- SUBSEQUENT EVENT:

On July 30, 2002, the Company completed a private placement including common stock and common stock purchase warrants to a small group of qualified individuals and institutional investors raising gross proceeds of \$1.375 million. The individuals and institutions have agreed to purchase an aggregate of 220,000 shares of common stock at \$6.25 per share and warrants to purchase 88,000 shares of common stock at an exercise price of \$9.00, with an expiration date for the warrants of July 30, 2005. The securities sold in the private placement have not been registered under the Securities Act of 1933, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.

The Company expects to file a shelf registration statement with the Securities and Exchange Commission for the resale of the common stock and warrants by August 30, 2002.

The proceeds of the private placement will be used for working capital and general corporate purposes. Pending application of the funds, the Company will invest the net proceeds of this offering in short-term, interest-bearing instruments.

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto included in this quarterly report and with the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

IntegraMed America, Inc. (the "Company") offers products and services to patients, providers, payors and suppliers in the fertility industry. The IntegraMed Network is comprised of fifteen fertility centers in major markets across the United States, a pharmaceutical distribution subsidiary, a financing subsidiary, the Council of Physicians and Scientists, and a leading fertility portal (www.integrated.com). Nine of these fertility centers have access to the Company's FertilityDirect Program. Six of the fertility centers are designated as "Reproductive Science Centers(R)" and as such, have access to the Company's FertilityDirect Program in addition to being provided with a full range of services including: (i) administrative services, including accounting and finance, human resource functions, and purchasing of supplies and equipment; (ii) access to capital; (iii) marketing and sales; (iv) integrated information

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systems; and (v) assistance in identifying best clinical practices (collectively, "Business Services").

The Company's strategy is to align information, technology and finance for the benefit of fertility patients, providers, payors and suppliers. The primary elements of the Company's strategy include: (i) selling additional FertilityDirect contracts to leading fertility centers in major markets; (ii) selling Shared Risk Refund Treatment Packages to patients of contracted fertility centers and managing the risk associated with the programs; (iii) selling additional Reproductive Science Center Business Service contracts; (iv) increasing revenues at Reproductive Science Centers; (v) increasing sales of pharmaceutical products and services; (vi) expanding clinical research opportunities; and (vii) establishing Internet-based access to patient-specific information on treatment process and outcomes.

In December 2000, the Company's agreement with the medical center based Reproductive Science Center was terminated early. The Company received \$1.44 million in liquidated damages pursuant to an early termination agreement. The amount received was recorded as deferred revenue at December 31, 2000, as the Company had certain transition obligations through December 2001, and accordingly was amortized ratably into income in 2001. The cost of the transition obligations incurred was minor.

During 2001 the Company negotiated revised fee structures on all five of its existing major Reproductive Science Center Business Services Contracts. On four of these contracts in which Service Fees are comprised of (a) a fixed percentage of revenue, (b) a fixed percentage of medical practice earnings and (c) reimbursed cost of services, the Company negotiated lower fixed percentages on the revenue and medical practice earnings components. These lower fees are to be phased in over an estimated five-year period. The Company believes that this revised fee structure will be more than offset by growth in the underlying Medical Practice, and will in turn result in growth in the Company's aggregate revenues. On the remaining Reproductive Science Center contract, the Company negotiated higher Service Fees, which are assessed at a fixed amount each month independent of the Medical Practice's underlying revenue or earnings.

On April 26, 2002, the Company signed an agreement to supply a complete range of business, marketing and facility services to the Margate, Florida based Northwest Center for Infertility and Reproductive Endocrinology ("NCIRE"). Under the terms of the 15-year agreement, the Company's service fees are comprised of reimbursed costs of services, a fixed percentage of revenues, and an additional fixed percentage of NCIRE earnings. The Company has committed up to \$2 million to fund the development and equipping of a new state-of-the-art facility to house the clinical practice and embryology laboratory for NCIRE and its patients.

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Results of Operations

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

	For the	For the
	three-month period	six-month period
	ended June 30,	ended June 30,

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	2002	2001	2002	2001
	(unaudited)		(unaudited)	
Revenues, net				
Reproductive Science Center Service Fees	77.4%	80.1%	77.7%	79.5%
Pharmaceutical Sales	20.8%	19.7%	20.8%	20.3%
Other Revenues	1.8%	0.2%	1.5%	0.2%
Total Revenues	100.0%	100.0%	100%	100%
Costs of services incurred:				
Reproductive Science Center costs	65.7%	66.1%	66.3%	65.8%
Pharmaceutical costs	20.0%	18.8%	20.0%	19.4%
Other costs	2.0%	0.9%	1.3%	0.6%
Total Costs of services and sales	87.7%	85.8%	87.6%	85.8%
Contribution				
Reproductive Science Center contribution	11.7%	14.0%	11.4%	13.7%
Pharmaceutical contribution	0.8%	0.9%	0.8%	0.9%
Other contribution	(0.2)%	(0.7)%	0.2%	(0.4)%
Total contribution	12.3%	14.2%	12.4%	14.2%
General and administrative expenses	9.1%	10.3%	9.0%	10.2%
Amortization of intangible assets	1.2%	1.2%	1.1%	1.3%
Interest income	-- %	(0.2)%	(0.1)%	(0.3)%
Interest expense	0.2%	0.4%	0.2%	0.5%
Total other expenses	10.5%	11.7%	10.2%	11.7%
Income before income taxes	1.8%	2.5%	2.2%	2.5%
Provision for income taxes	0.5%	0.3%	0.8%	0.3%
Net income	1.3%	2.2%	1.4%	2.2%

Three Months Ended June 30, 2002 Compared to Three Months Ended June 30, 2001

Revenues, net for the three months ended June 30, 2002 were approximately \$21.4 million as compared to approximately \$18.3 million for the same period in 2001, an increase of 17.1%. Revenues for the Company's Reproductive Science Centers increased by a net \$1.9 million, or 13.2%, from the second quarter of 2001 to the second quarter of 2002. This increase is principally attributed to increased patient volume at the various network sites, augmented in part by the establishment of additional clinical locations at several of the Company's centers during the fourth quarter of 2001, and the addition of \$0.3 million of revenue at the Company's new Florida location in the second quarter of 2002. The revenue increase was partially reduced by the loss of \$0.4 million of revenue related to the termination payment received in 2001 from a hospital-based center. Revenues for the Company's pharmaceutical division increased \$0.8 million, or 23.4%, from the second quarter of 2001 to the second quarter of 2002. This increase is due to increased patient participation within the Company's Fertility Centers. Other revenues increased from \$39,000 in the second quarter of 2001 to \$396,000 in the second quarter of 2002, as a result of the rising revenue stream from the Company's FertilityDirect program.

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Total costs of services as a percentage of revenues increased by 1.9% to 87.7% during the second quarter of 2002 as compared to 85.8% for the second quarter of 2001 due mainly to a reduction in pharmaceutical cost rebates and the start-up costs in the Fertility-Direct programs.

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Costs of services for the Company's Reproductive Science Center division as a percentage of the related revenue increased from 82.4% in the second quarter of 2001 to 84.8% during the second quarter of 2002 principally due to the fact that the termination payment discussed above for 2001 had only minor costs associated with it and as a result the cost of service percentage was skewed downward. Costs of services as a percentage of related revenue for the Company's pharmaceutical division increased from 95.4% in the second quarter of 2001 to 96.3% in the second quarter of 2002 due principally to the reduction of drug costs rebates estimated in 2002 as compared to 2001. Other costs of services as a percentage of revenue decreased from 451% in the second quarter of 2001 to 91.5% during the second quarter of 2002, as start-up costs have decreased significantly and an increase in affiliation fees associated with the growth of the Company's FertilityDirect program.

Total Contribution for the three months ended June 30, 2002 was \$2.6 million, unchanged from the second quarter of 2001 due principally to the \$0.35 million reduction in contribution from the 2001 termination payment offset by the other gains mentioned above.

General and administrative expenses for the second quarters of 2002 and 2001 were approximately \$1.9 million. As a percentage of revenues, general and administrative expenses decreased to approximately 9.1% in the second quarter of 2002 from approximately 10.3% in the second quarter of 2001.

Amortization of intangible assets was \$251,000 in the second quarter of 2002 as compared to \$225,000 in the second quarter of 2001, an increase of 11.6%. This increase is attributable to the payment of additional business service rights related to physicians in the Company's Long Island and Shady Grove locations, as well as to the initiation of the Company's Florida practice during the second quarter of 2002.

Interest income for the second quarter of 2002 decreased to \$14,000 from \$44,000 for the second quarter of 2001 due to lower interest rates earned on invested cash balances. Interest expense for the second quarter of 2002 decreased to \$41,000 from \$77,000 in the second quarter of 2001 due to scheduled debt payments on the Company's term loan.

During the second quarter of 2002, the Company provided for both federal and state taxes whereas in 2001, only state taxes were provided. The Company will not have to pay federal taxes due to net operating loss carry-forwards. These loss carry-forwards have been recorded as a deferred tax asset in the fourth quarter of 2001 and since payment is not made for federal taxes, the deferred tax asset account is reduced for the amount which would have been paid if there was no loss carry-forward. The Company's effective tax rate for the second quarter of 2001 was approximately 13.4% and the effective tax rate for the second quarter of 2002 was approximately 26.4%. The 2002 second quarter rate is lower than the estimated 33% expected to be used for the entire year as a result of the completion of the 2001 tax returns and the adjustment of the accounts to the amounts paid. The Company expects to utilize the 33% rate for the balance of the year.

Net income was \$310,000 in the second quarter of 2002 as compared to \$406,000 in the second quarter of 2001, a decrease of 23.6%. This decrease resulted from the factors discussed above, including the loss of the termination payment and the higher tax rate.

Six Months Ended June 30, 2002 Compared to Six Months Ended June 30, 2001

Revenues, net for the six months ended June 30, 2002 were approximately \$41.7 million as compared to approximately \$34.8 million for the same period in 2001, an increase of 20.0%. Revenues for the Company's Reproductive Science

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Centers increased \$4.8 million, or 17.1%, from the first six months of 2001 to the first six months of 2002. This increase is attributed to increased patient volume at each of the network sites, facilitated in part by the establishment of additional clinical locations during the fourth quarter of 2001, and the

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addition of the Company's Florida location to its Business Services division during the second quarter of 2002. Revenues for the Company's pharmaceutical division increased \$1.6 million, or 22.7%, from the first six months of 2001 to the same period in 2002 due to increased patient participation within the Company's Fertility Centers. Other revenues increased from \$60,000 to \$627,000 from the first six months of 2001 to the first six months of 2002, as a result of the rising revenue stream from the Company's FertilityDirect program.

Total costs of services as a percentage of revenues increased by 1.8% to 87.6% during the first six months of 2002 as compared to 85.8% for the same period in 2001. Costs of services as a percentage of the related revenue for the Company's Reproductive Science Center division increased from 82.7% during the first six months of 2001 to 85.4% during the same period in 2002. This increase is attributed substantially to the elimination of the hospital center termination payment and the impact of the revised fee structure previously disclosed by the Company. Costs of services as a percentage of the related revenue for the Company's pharmaceutical division increased 0.5% from 95.7% in the first six months of 2001 to 96.2% in the first six months of 2002 reflecting the reduction in drug costs rebates recognized in 2002. Other costs of services as a percentage of revenue decreased from 335% during the first six months in 2001 to 88.2% for the same period in 2002. This is reflective of the growth of the Company's Fertility-Direct program.

Total Contribution for the six months ended June 30, 2002 was \$5.1 million, an increase of 3.9% from the \$5.0 million for the same period in 2001 as a result of the improvement in Fertility-Direct results, somewhat offset by the elimination of the \$0.6 million contribution from 2001's termination payment, changes in the fee structure and reduced drug cost rebates.

General and administrative expenses for the first six months of 2002 were approximately \$4.7 million as compared to \$4.8 million during the same period in 2001. As a percentage of revenues, general and administrative expenses decreased to approximately 9.0% in the first six months of 2002 from approximately 10.2% in the first six months of 2001.

Amortization of intangible assets was \$476,000 during the first six months of 2002 as compared to \$441,000 for the same period of 2001, an increase of 7.9%. This increase is attributable to the payment of additional business service rights related to physicians in the Company's Long Island and Shady Grove locations, as well as to the initiation of the Company's Florida practice during the second quarter of 2002.

Interest income for the first six months of 2002 decreased to \$52,000 from \$98,000 for the same period in 2001 due to lower interest rates earned on invested cash balances. Interest expense for the first six months of 2002 decreased to \$79,000 from \$163,000 during the first six months of 2001 due to scheduled debt payments on the Company's term loan.

During the first half of 2002, the Company provided for both federal and state taxes whereas in 2001, only state taxes were provided. The Company will not have to pay federal taxes due to net operating loss carry-forwards. These loss carry-forwards have been recorded as a deferred tax asset in the fourth quarter of 2001 and since payment is not made for federal taxes, the deferred

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tax asset account is reduced for the amount, which would have been paid if there was no loss carry-forward. The Company's effective tax rate for the first six months of 2001 was approximately 13.0% and was comprised mainly of a provision for state income taxes. The effective tax rate for the first six months of 2002 was approximately 33.0% and included an approximate 3.0% provision for state income taxes (as a result of previous overpayments) and an approximate 30.0% provision for federal taxes.

Net income was \$602,000 for the first six months of 2002 as compared to \$765,000 for the same period of 2001. This decrease resulted from the factors discussed above, principally the elimination of approximately \$700,000 of contribution from 2001's termination payment and the \$183,000 increase in the tax provision.

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Liquidity and Capital Resources

Historically, the Company has financed its operations primarily through sales of equity securities, issuances of notes and internally generated sources. In addition, the Company has a term loan and revolving line of credit with a leading bank to provide financing for working capital and business development purposes. During the first half of 2002, the Company purposely used the \$4.2 million of working capital it had at December 31, 2001 to fund its new Florida based Business Services agreement and Preferred Stock repurchase. Working capital was \$0.3 million at June 30, 2002. The Company is presently evaluating its debt position and balance sheet leverage options and may effect changes to each in the balance of the year (see concluding paragraph to this section). As mentioned earlier, the Company sold common shares in a private placement in the third quarter of 2002, raising over \$1.3 million of working capital.

In September 2001, the Company amended its existing credit facility with Fleet Bank, N.A. The amended facility is comprised of a \$7.0 million three-year working capital revolver, and a continuance of the Company's existing \$4.0 million 5.5 year term loan, of which approximately \$2.8 million remained outstanding with a remaining term of approximately 2.5 years as of the date of the amendment. Availability of borrowings under the working capital revolver are based on eligible accounts receivable as defined and as of June 30, 2002, the full amount of the \$7.0 million was available as there were no amounts outstanding under the revolver. As of June 30, 2002, the term loan balance was \$1.75 million. The Fleet credit facility is collateralized by all of the Company's assets.

From time to time, the Company also reviews various options concerning the possibility of raising additional long-term financing through the sale of equity or debt securities in order to fund acquisitions or construct additional medical practice facilities. These reviews are conducted as part of the ongoing management of the Company and are not necessarily tied to any specific acquisition or construction plans.

Significant Contractual Obligations and Other Commercial Commitments:

The following summarizes the Company's contractual obligations and other commercial commitments at June 30, 2002, and the effect such obligations are expected to have on its liquidity and cash flows in future periods.

Payments Due by Period

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	Total	Less than 1 year	1 - 3 years	4 - 5 years
Long-term debt.....	\$ 1,933,000	1,183,000	\$ 750,000	\$ --
Capital lease obligations.....	112,000	112,000	--	--
Operating leases.....	16,882,000	2,781,000	4,924,000	4,126,000
Capital improvements.....	4,000,000	3,000,000	1,000,000	--
Total contractual cash obligations.....	\$22,927,000	\$7,076,000	\$ 6,674,000	\$4,126,000

	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	\$ --
Total commercial commitments.....	\$ 7,000,000	\$ --	\$ 7,000,000	\$ --

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The Company also has commitments to provide accounts receivable financing to the Reproductive Science Centers in accordance with its Business Services agreements. The Company's financing of the Medical Practice's Accounts Receivable occurs monthly on the 15th of the month following generation of the receivable. The priority of repayment by the Medical Practice is the reimbursement of expenses incurred by the Company on their behalf, the fixed portion of the Business Services fee and finally the variable portion of the Business Services fee. The Company is responsible for the collection of receivables, which are financed with full recourse. The Company has continuously funded these needs from cash flow from operations and the collection of the prior month's receivables. If delays in repayment are incurred, which have not as yet been encountered, the Company could draw on its existing working capital line of credit. The Company does not as a general course make advances to the Medical Practices other than for the payment of expenses on behalf of the Medical Practice for which the Company is reimbursed in the short-term and are collateralized by the Medical Practice's Accounts Receivable. The Company has no other funding commitments to the Medical Practices.

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 involve 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 business service agreements, including the Company's ability to raise

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additional debt and/or equity capital to finance future growth, the loss of significant business service agreement(s), the profitability or lack thereof at Reproductive Science Centers serviced by the Company, increases in overhead due to expansion, the exclusion of infertility and ART services from insurance coverage, government laws and regulations regarding health care, changes in managed care contracting, the timely development of and acceptance of new infertility, ART and/or genetic technologies and techniques.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

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Part II - OTHER INFORMATION

- Item 1. Legal Proceedings.
None; no material developments in previously reported matters.
- Item 2. Changes in Securities.
None.
- Item 3. Defaults Upon Senior Securities.
None.
- Item 4. Submission of Matters to Vote of Security Holders.
At an annual shareholders' meeting held on May 21, 2002, the following matter was approved:
1) election of seven directors

The respective vote tabulations are detailed below:

Proposal 1 - Directors	For	Against
-----	---	-----
Gerardo Canet	2,542,459	6,150
Michael J. Levy, M.D.	2,542,459	6,150
Sarason D. Liebler	2,542,459	6,150
Aaron S. Lifchez, M.D.	2,542,459	6,150
Wayne R. Moon	2,542,459	6,150
Lawrence Stuesser	2,542,459	6,150
Elizabeth E. Tallett	2,542,459	6,150

- Item 5. Other Information.
None.
- Item 6. Exhibits and Reports on Form 8-K.
See Index to Exhibits on Page 17.

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SIGNATURES

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

INTEGRAMED AMERICA, INC.
(Registrant)

Date: August 14, 2002

By: /s/ John W. Hlywak, Jr

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

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Exhibit Number		Exhibit
4.14	--	Registration Rights Agreement dated July 30, 2002
4.14(a)	--	Form of Warrant issued on July 30, 2002
10.119	--	Copy of Registrant's 2000 Long Term Compensation Plan
99.14	--	Registrant's Press Release dated June 18, 2002 (1)
99.15	--	Registrant's Press Release dated July 25, 2002 (2)
99.16	--	Registrant's Press Release dated July 20, 2002 (3)
99.17	--	CEO Certification Pursuant to 18 U.S.C. section 1350 as Adopted Pursuant to Sections 906 of the Sarbanes Oxley Act of 2002
99.18	--	CFO Certification Pursuant to 18 U.S.C. section 1350 as Adopted Pursuant to Sections 906 of the Sarbanes Oxley Act of 2002

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- (1) Filed as exhibit with identical exhibit number to Registrant's Report on Form 8-K dated June 19, 2002.
 - (2) Filed as exhibit with identical exhibit number to Registrant's Report on Form 8-K dated July 29, 2002.
 - (3) Filed as exhibit with identical exhibit number to Registrant's Report on Form 8-K dated July 31, 2002.

