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INTEGRAMED AMERICA INC
Form 10-Q
May 16, 2005

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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 March 31, 2005

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 April 26, 2005 was 3,720,438.

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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)

ASSETS

| | March 31, ----- 2005 ----- (unaudited) |
|---|--|
| Current assets: | |
| Cash and cash equivalents | \$ 5,333 |
| Due from Medical Practices, net | 11,097 |
| Pharmaceutical sales accounts receivable, net | 1,469 |
| Deferred income taxes, net | 1,898 |
| Prepays and other current assets | 3,850 |
| | ----- |
| Total current assets | 23,647 |
| | |
| Fixed assets, net | 16,001 |
| Intangible assets, net | 23,491 |
| Deferred income taxes, net | 1,291 |
| Other assets | 527 |
| | ----- |
| Total assets | \$ 64,957 ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|---|--------|
| Current liabilities: | |
| Accounts payable | \$ 782 |
| Accrued liabilities | 7,280 |
| Current portion of long-term notes payable and other obligations | 2,219 |
| Patient deposits | 16,955 |
| | ----- |
| Total current liabilities | 27,236 |
| | ----- |
| Long-term notes payable and other obligations | 2,717 |
| | ----- |
| Commitments and contingencies | |
| Stockholders' Equity: | |
| Common Stock, \$.01 par value - 15,000,000 and 15,000,000 shares authorized in 2005 and 2004 respectively; and 3,720,438 and 3,647,282 shares issued in 2005 and 2004, respectively | 37 |
| Capital in excess of par value | 48,785 |
| Deferred compensation | (241) |

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| | |
|---|-----------|
| Treasury stock, at cost - 51,312 and 40,547 shares in 2005 and 2004, respectively | (461) |
| Accumulated deficit | (13,116) |
| | ----- |
| Total stockholders' equity | 35,004 |
| | ----- |
| Total liabilities and stockholders' equity | \$ 64,957 |
| | ===== |

See accompanying notes to the consolidated financial statements.

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

| | For the three-month period ended March 31, | |
|---|--|-----------|
| | 2005 | 2004 |
| | ----- | |
| | (unaudited) | |
| | ----- | |
| Revenues, net: | | |
| FertilityPartners , net of Service Rights amortization of \$354 and \$321 in 2005 and 2004, respectively | \$ 25,456 | \$ 20,598 |
| Pharmaceutical | 4,739 | 3,766 |
| FertilityDirect | 1,788 | 1,030 |
| | ----- | ----- |
| Total | 31,983 | 25,394 |
| | ----- | ----- |
| Cost of services and sales: | | |
| FertilityPartners, including depreciation of \$853 and \$610 | 22,952 | 18,549 |
| Pharmaceutical | 4,551 | 3,624 |
| FertilityDirect | 1,127 | 746 |
| | ----- | ----- |
| Total | 28,630 | 22,919 |
| | ----- | ----- |
| Contribution: | | |
| FertilityPartners | 2,504 | 2,049 |
| Pharmaceutical | 188 | 142 |
| FertilityDirect | 661 | 284 |
| | ----- | ----- |
| Total | 3,353 | 2,475 |
| | ----- | ----- |
| Other expenses (income): | | |

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| | | |
|--|---------|---------|
| General and administrative expenses, including depreciation of \$92 and \$87 | 2,834 | 2,142 |
| Interest income | (100) | (58) |
| Interest expense | 97 | 80 |
| Total | 2,831 | 2,164 |
| Income before income taxes | 522 | 311 |
| Income tax provision | 208 | 124 |
| Net income | \$ 314 | \$ 187 |
| Basic earnings per share | \$ 0.09 | \$ 0.05 |
| Diluted earnings per share | \$ 0.08 | \$ 0.05 |
| Weighted average shares - basic | 3,646 | 3,573 |
| Weighted average shares - diluted | 3,854 | 3,814 |

See accompanying notes to the consolidated financial statements.

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

| | Common Shares | Stock Amount | Capital in Excess of Par | Accumulated Deficit | Treasury Stock Shares | Amount |
|------------------------------------|------------------|-----------------|-----------------------------|------------------------|--------------------------|----------|
| | ----- | ----- | ----- | ----- | ----- | ----- |
| BALANCE AT DECEMBER 31, 2003 | 3,544 | \$ 35 | \$48,172 | \$ (14,616) | 90 | \$ (426) |
| Issuance of Restricted Stock Grant | 33 | -- | 211 | -- | -- | -- |
| Options and warrants exercised .. | 210 | 2 | 907 | -- | -- | -- |
| Treasury Stock transactions, net | (140) | (1) | (823) | -- | (49) | 89 |
| Stock grants issued, net | -- | -- | -- | -- | -- | -- |
| Stock grant amortization | -- | -- | -- | -- | -- | -- |
| Net income | -- | -- | -- | 1,186 | -- | -- |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| BALANCE AT DECEMBER 31, 2004 | 3,647 | \$ 36 | \$48,467 | \$ (13,430) | 41 | \$ (337) |
| Options and warrants exercised .. | 72 | 1 | 310 | -- | 10 | (124) |

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| | | | | | | |
|---------------------------------|-------|-------|----------|-------------|-------|----------|
| Stock grants issued, net | 1 | -- | 8 | -- | -- | -- |
| Stock grant amortization | -- | -- | -- | -- | -- | -- |
| Net income | -- | -- | -- | 314 | -- | -- |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| BALANCE AT MARCH 31, 2005 | 3,720 | \$ 37 | \$48,785 | \$ (13,116) | 51 | \$ (461) |
| | ===== | ===== | ===== | ===== | ===== | ===== |

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 the three-month period ended March 31, | |
|---|--|---------|
| | 2005 | 2004 |
| | (unaudited) | |
| Cash flows from operating activities: | | |
| Net income | \$ 314 | \$ 187 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,298 | 1,018 |
| Deferred income taxes | 127 | 103 |
| Deferred compensation | 60 | 51 |
| Change in assets and liabilities -- Decrease (increase) in assets: | | |
| Due from Medical Practices | (2,967) | (2,790) |
| Pharmaceutical sales accounts receivable | (210) | 198 |
| Prepays and other current assets | (1,807) | (241) |
| Other assets | (117) | 8 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 263 | (622) |
| Accrued liabilities | (171) | 2,188 |
| Patient deposits | 2,762 | 1,855 |
| | ----- | ----- |
| Net cash provided by (used in) operating activities | (448) | 1,955 |
| | ----- | ----- |
| Cash flows used in investing activities: | | |
| Payment for Exclusive Service Rights | (3,325) | (1,204) |
| Purchase of fixed assets and leasehold improvements | (2,078) | (1,814) |
| | ----- | ----- |

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| | | |
|---|------------|------------|
| Net cash used in investing activities | (5,403) | (3,018) |
| | ----- | ----- |
| Cash flows used in financing activities: | | |
| Principal repayments on debt | (287) | (287) |
| Principal repayments under capital lease obligations | (16) | (11) |
| Proceeds from exercise of common stock warrants and options | 187 | 242 |
| Repurchase of common stock | -- | (192) |
| | ----- | ----- |
| Net cash used in financing activities | (116) | (248) |
| | ----- | ----- |
| Net change in cash and cash equivalents | \$ (5,967) | \$ (1,311) |
| Cash and cash equivalents at beginning of period | 11,300 | 6,885 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 5,333 | \$ 5,574 |
| | ===== | ===== |
| Supplemental Information: | | |
| Interest paid | \$ 97 | \$ 80 |
| Income taxes paid | \$ 418 | \$ 66 |

See accompanying notes to the consolidated financial statements.

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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 March 31, 2005, 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, 2005. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in IntegraMed America's (the "Company") Annual Report on Form 10-K for the year ended December 31, 2004.

NOTE 2 -- EARNINGS PER SHARE:

The reconciliation of the numerators and denominators of the basic and diluted EPS computations for the three month periods ended March 31, 2005 and 2004 is as follows (000's omitted, except for per share amounts):

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| | For the three-month period ended March 31, | |
|--|--|---------|
| | 2005 | 2004 |
| ----- | | |
| Numerator | | |
| Net Income..... | \$ 314 | \$ 187 |
| | ===== | ===== |
| Denominator | | |
| Weighted average shares outstanding (basic)..... | 3,646 | 3,573 |
| Effect of dilutive options and warrants..... | 208 | 241 |
| | ----- | ----- |
| Weighted average shares and dilutive potential Common shares (diluted)..... | 3,854 | 3,814 |
| | ===== | ===== |
| Basic EPS..... | \$ 0.09 | \$ 0.05 |
| | ===== | ===== |
| Diluted EPS..... | \$ 0.08 | \$ 0.05 |
| | ===== | ===== |

For the three-month period ended March 31, 2005, there were no outstanding options or warrants 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 and warrants were less than the average market price of the shares of Common Stock.

For the three-month period ended March 31, 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 prices of all outstanding options were less than the average market price of the shares of Common Stock. For the three-month period ended March 31, 2004, the effect of the assumed exercise of warrants to purchase 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 price of the warrants was greater than the average market price of the shares of Common Stock, thereby causing these warrants to be antidilutive.

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

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):

Business

Pharmaceutic

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| | Corporate ----- | Services ----- | Distributio ----- |
|---|--------------------|-------------------|----------------------|
| For the three months ended March 31, 2005 | | | |
| Revenues..... | -- | \$27,244 | \$4,739 |
| Cost of services and sales..... | -- | 24,079 | 4,551 |
| | ----- | ----- | ----- |
| Contribution..... | -- | 3,165 | 188 |
| General and administrative costs..... | | | |
| Interest, net..... | | | |
| Income before income taxes..... | | | |
| Depreciation expense included above..... | | | |
| Capital expenditures..... | 264 | 1,814 | -- |
| Total assets..... | 7,075 | 56,276 | 1,606 |
| For the three months ended March 31, 2004 | | | |
| Revenues..... | -- | \$21,628 | \$3,766 |
| Cost of services and sales..... | -- | 19,295 | 3,624 |
| | ----- | ----- | ----- |
| Contribution..... | -- | 2,333 | 142 |
| General and administrative costs..... | | | |
| Interest, net..... | | | |
| Income before income taxes..... | | | |
| Depreciation expense included above..... | | | |
| Capital expenditures..... | 34 | 1,780 | -- |
| Total assets..... | 7,547 | 49,717 | 1,705 |

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NOTE 4 -- STOCK-BASED EMPLOYEE COMPENSATION:

As of March 31, 2005, the Company had 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 July 1, 2003, the Company adopted the fair value recognition provisions of FAS No. 148. Under the Prospective transition method selected by the Company, fair value accounting is applied to all new stock grants and modifications to old grants since January 1, 2003. Disclosure of pro-forma net income and EPS is continued for any pre-adoption grants. No options have been granted subsequent to the adoption of FAS No. 148.

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).

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| | For the three-month ended March ----- 2005 ----- |
|--|---|
| Net Income, as reported..... | \$ 314 |
| Add: Stock-based employee compensation expense included in reported net income, net of related tax effects..... | 22 |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects..... | (65) ----- |
| Pro forma net income..... | \$ 271 ===== |
| Earnings per share: | |
| Basic-as reported..... | \$0.09 |
| Basic-pro forma..... | \$0.07 |
| Diluted-as reported..... | \$0.08 |
| Diluted-pro forma..... | \$0.07 |

NOTE 5- LITIGATION

On November 12, 2003 an action captioned South Broward Hospital District vs. Wayne S. Maxson, M.D. et. al. was filed against, among others, the Company and one of its FertilityPartners, in the Broward County Florida Circuit Court alleging that the Company had interfered with the contractual relationship between the Hospital and certain individuals. The Company and the other defendants filed a motion to dismiss the Complaint, which matter was heard on March 24, 2005. The court dismissed all claims against the defendants and subsequently the parties entered into a settlement agreement.

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

NOTE 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, 2004, none of those policies has changed, nor has any been added.

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

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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 IntegraMed America Inc.'s Annual Report on Form 10-K for the year ended December 31, 2004.

Overview

IntegraMed America, Inc. (the "Company") offers products and services to patients and providers in the fertility industry. The IntegraMed Network is comprised of twenty-five fertility centers in major markets across the United States, pharmaceutical products and services, a financing subsidiary, the Council of Physicians and Scientists, and a leading fertility portal (www.integrated.com). Seventeen Affiliate fertility centers purchase discrete service packages provided by the Company and eight fertility centers have access to the entire portfolio of products and services under the comprehensive FertilityPartners(TM) program. All twenty-five centers have access to the Company's consumer services, principally pharmaceutical products and patient financing products.

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

Major events impacting financial condition and results of operations

During 2003, the Company negotiated revised fee structures on three of its existing FertilityPartner contracts. In all three of these contracts, the timetable for the phase-in of that portion of the fee reductions which are based on the earnings of the underlying fertility centers was delayed by one year and became effective in the first quarter of 2004. Beginning in the year 2006, these revised contracts contain a maximum limit on the amount of fees the Company can earn, which are based on the earnings of the underlying fertility centers. The maximum limitation on one contract is below the fees earned by the Company on this contract in 2004. The Company believes that these fee limitations will be more than 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.

On January 1, 2004, the Company signed a FertilityPartners agreement with

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the Seattle, Washington based Seattle Reproductive Medicine, Inc., P.S. ("SRM") physician practice. Under the terms of this 15-year agreement, the Company's service fees are comprised of reimbursed costs of services, a tiered percentage of revenues, and an additional fixed percentage of SRM's earnings. The Company also committed up to \$2 million to fund the construction and equipping of a new state-of-the-art facility to house the clinical practice and embryology laboratory for SRM and its patients. Based on the terms of this transaction, IntegraMed was paid a fixed service fee for approximately eleven months of 2004 until the new facility was fully operational in December 2004. Upon becoming fully operational, IntegraMed's service fees reverted to the fee structure described above.

Effective January 1, 2005, the Company signed a FertilityPartner agreement to supply a complete range of business, marketing and facility services to the Reproductive Partners Medical Group, Inc., a fertility practice comprised of six physicians in the Southern California market. Under the terms of this 25-year agreement, IntegraMed has committed up to \$0.5 million to fund any necessary capital needs of the practice. Based on the terms of the transaction, IntegraMed's service fees will be comprised of the Company's standard reimbursed costs of services, a variable percentage of revenues, plus an additional fixed percentage of the center's earnings.

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Effective January 1, 2005, the Company became a minority equity investor in the Assisted Reproductive Technology Insurance Company ("ARTIC"). ARTIC is incorporated as an off-shore captive insurance company designed to offer malpractice insurance to physicians within the IntegraMed network. IntegraMed's equity investment of \$50,000 represents a 10% ownership stake, accounted for on the cost basis, with the remaining equity owned by participating physician groups. IntegraMed has agreed to provide certain administrative and insurance related services to ARTIC members.

Subsequent to March 31, 2005 the Company and Theralogix, a developer of evidence-based nutritional supplements, announced the launch of Fertility Sciences, LLC, a new venture committed to developing nutritional supplements to help enhance fertility. Fertility Science's mission is to facilitate the responsible use of evidence-based, complementary therapies in reproductive practice. The company distributes a limited number of evidence-based, academically-backed nutritional supplements, which are formulated and endorsed by leading fertility specialists, and certified for purity and content accuracy. The company's first product offering, ConceptionXR for Men, targets male factor infertility. The supplement is intended to benefit fertility providers and patients by providing a product whose formula is vetted by highly-credentialed scientists and whose manufacturing, bottling and labeling is overseen by NSF International, a global leader in independent third-party certification.

We continue to aggressively promote our Shared Risk Refund Program. The Shared Risk Refund Program is an innovative treatment and financing program which, with recent enhancements, consists of up to six treatment cycles of in vitro fertilization for one fixed price with a significant refund if the patient does not deliver a live baby. Under this financial program, we receive payment directly from consumers who qualify for the program and pay contracted fertility centers a 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 March 31, | |
|--|--|---------|
| | 2005 | 2004 |
| | (unaudited) | |
| Revenues, net | | |
| FertilityPartners | 79.6% | 81.1% |
| Pharmaceutical | 14.8% | 14.8% |
| FertilityDirect | 5.6% | 4.1% |
| Total | 100.0% | 100.0% |
| Costs of services incurred: | | |
| FertilityPartners | 71.8% | 73.1% |
| Pharmaceutical | 14.2% | 14.3% |
| FertilityDirect | 3.5% | 4.1% |
| Total | 89.5% | 90.3% |
| Contribution | | |
| FertilityPartners..... | 7.8% | 8.0% |
| Pharmaceutical..... | 0.6% | 0.5% |
| FertilityDirect..... | 2.1% | 1.2% |
| Total..... | 10.5% | 9.7% |
| General and administrative expenses..... | 8.9% | 8.4% |
| Interest income..... | (0.3)% | (0.2) % |
| Interest expense..... | 0.3% | 0.3% |
| Total other expenses..... | 8.9% | 8.5% |
| Income before income taxes..... | 1.6% | 1.2% |
| Provision for income taxes..... | 0.6% | 0.5% |
| Net income..... | 1.0% | 0.7% |
| | ===== | ===== |

Three Months Ended March 31, 2005 Compared to Three Months Ended
March 31, 2004

Revenues for the three months ended March 31, 2005 increased by a net of approximately \$6.6 million, or 25.9%, from the same period in 2004. The main growth factors contributing to this increase were:

- (i) Revenues at our six FertilityPartner centers opened prior to

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2004, increased by \$1.5 million, or 7.5%. This increase resulted from strong patient flow and higher clinical billings at most clinical locations. Revenue from our two recent FertilityPartner centers, located in Seattle, Washington and Los Angeles, California, who joined our network in January 2004 and January 2005, respectively, totaled \$3.4 million in the first quarter of 2005. The Seattle FertilityPartner location generated revenue of \$1.6 million in the first quarter of 2005, vs. revenue of \$0.1 million in the comparable period of 2004.

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- (ii) Revenue at our pharmaceutical unit increased by \$1.0 million, or 25.8% from the same period in 2004. Revenue for the first quarter of 2004 had been negatively impacted by our decision, in mid-2003, to de-emphasize the sale of certain high volume products due to their lack of profitability. This decision caused a drop in revenue during the last two quarters of 2003. As a result of a more favorable pricing and reimbursement environment for these products, revenues at our pharmaceutical unit have increased significantly since the first quarter of 2004. We expect this trend to continue and have recently begun enhanced marketing support initiatives designed to increase pharmaceutical sales penetration within our network of affiliated fertility centers.
- (iii) FertilityDirect revenues, which are comprised of our direct to consumer Shared Risk Refund program, membership fees from affiliated clinics, and captive insurance company management fees, increased by \$0.8 million, or 73.6% from prior year levels. The main factor accounting for this growth has been continuing acceptance of, and enrollment in, our Shared Risk program. This program has recently been enhanced to offer additional frozen embryo cycles and access to discount pharmaceuticals. We plan to continue aggressively promoting our FertilityDirect programs and anticipate that these programs will continue to show growth in future quarters.

Contribution of \$3.4 million for the first quarter of 2005 was up \$0.9 million, or 35.5% from 2004 levels. As a percentage of revenue, the contribution margin grew to 10.5% for the first quarter of 2005 versus 9.7% for the same period in 2004. The following factors had a significant effect on first quarter 2005 contribution:

- (i) Contribution generated by the FertilityPartners agreements increased by \$0.5 million in the first quarter of 2005 versus the same period in 2004. Contribution at our six FertilityPartner centers opened prior to 2004, increased by \$0.1 million, despite previously disclosed fee reductions on three of these contracts. Contribution from our two recent FertilityPartner centers, who joined our network subsequent to January 1, 2004, totaled \$0.4 million in the first quarter of 2005.
- (ii) Pharmaceutical contribution increased by \$46,000, or 32.4%, and margin rates increased to 4.0% during the first quarter of 2005 from 3.8% in 2004. For the balance of 2005, we anticipate that our pharmaceutical margins will stabilize in their historic

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range of 3.5 - 4.0% on the higher revenues described above.

- (iii) Contribution from the FertilityDirect program increased by \$377,000, or 132.7% from the same quarter in the prior year. This increase resulted from growth in Shared Risk Refund patient volume, driven in part from the previously mentioned enhancements to the program, as well as better than expected clinical outcomes. In January 2005, we began to receive management fees related to the administration of a captive insurance company, which totaled \$32,000 during the first quarter of 2005.

General and Administrative expenses increased by \$692,000 in the first quarter of 2005 from \$2,142,000 in the same period in 2004 as a result of increased compensation, marketing and regulatory costs. These increases are designed to maintain growth rates in our business segments while maintaining compliance with Sarbanes-Oxley requirements.

Interest income rose to \$100,000 for the quarter ended March 31, 2005, from \$58,000 for the same quarter in 2004. This increase was mainly attributable to finance charges assessed to various FertilityPartner locations on invested capital in excess of predefined limits. Interest expense increased to \$97,000 for the three months ending March 31, 2005 from \$80,000 in the comparable period in 2004. This increase was mainly the result of higher market interest rates on our outstanding debt balances.

The provisions for income tax were \$208,000 and \$124,000 for the quarters ending March 31, 2005 and 2004, respectively. For both periods the effective tax rate was 39.8% of pre-tax income and reflected a provision for both state and federal taxes.

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 March 31, 2005, we were not involved in any 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 ongoing planned capital investments required by our expanding FertilityPartners, as well as the payment of Service Rights related to our new Southern California FertilityPartner contract, working capital decreased during the first three months of 2005 to a negative \$3.6 million as of March 31, 2005, from \$0.3 million as of December 31, 2004. We believe that 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.

Patient deposits, which represent funds received from patients in advance

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of treatment cycles, increased by \$2,762,000 since December 31, 2004 to \$16,955,000 as of March 31, 2005. These deposits, which are comprised of both Shared Risk and non-Shared Risk sources, are prepayments of future revenues from patients without full insurance coverage. Deposits are a significant source of recurring cash flow and represent interest free financing for us.

On July 31, 2003, we amended our existing credit facility with Bank of America (formally Fleet Bank). 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 \$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 March 31, 2005, we had borrowed \$1.0 million under the working capital revolver agreement for general corporate purposes. The remaining working capital revolver balance of \$6.0 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 were met or for which a waiver was granted at March 31, 2005.

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 March 31, 2005, 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..... | \$ 4,738,000 | \$ 2,150,000 | \$ 2,588,000 | \$ -- |
| Capital lease obligations..... | 197,000 | 68,000 | 129,000 | -- |
| Operating leases..... | 32,503,000 | 5,248,000 | 13,694,000 | 5,524,000 |
| FertilityPartners capital projects..... | 1,950,000 | 1,950,000 | -- | -- |
| | ----- | ----- | ----- | ----- |
| Total contractual cash obligations..... | \$39,388,000 | \$9,416,000 | \$16,411,000 | \$5,524,000 |
| | ===== | ===== | ===== | ===== |

Amount of Commitment Expiration Per Period

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| | 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 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 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

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and/or genetic technologies and techniques. The Company is under no obligation to (and expressly disclaims any such obligation) update or alter any forward-looking statements whether as a result of new information, future events or otherwise.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

For information regarding our exposure to certain market risks, see Item 7A, QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK, in our Annual Report on Form 10-K for the year ended December 31, 2004. As of March 31, 2005, a one percent change in interest rates would negatively impact pre-tax income by approximately \$47,000 and net income by approximately \$28,000.

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 March 31, 2005 (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 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.

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Part II - OTHER INFORMATION

Item 1. Legal Proceedings.

On November 12, 2003 an action captioned South Broward Hospital District vs. Wayne S. Maxson, M.D. et. al. was filed against, among others, the Company and one of its FertilityPartners, in the Broward County Florida Circuit Court

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alleging that the Company had interfered with the contractual relationship between the Hospital and certain individuals. The Company and the other defendants filed a motion to dismiss the Complaint, which matter was heard on March 24, 2005. The court dismissed all claims against the defendants and subsequently the parties entered into a settlement agreement.

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

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

During the three months ended March 31, 2005, the Company obtained 10,765 shares of its Common Stock that are now held as treasury shares. These shares represent shares tendered to the Company as consideration for the cashless exercise of stock options as well as for the withholding of taxes paid, on their behalf, by the Company on an employee stock grant. 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.
None.

Item 5. Other Information.
None.

Item 6. Exhibits.

See Index to Exhibits on Page 21.

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)

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Date: May 13, 2005

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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INDEX TO EXHIBITS

| Exhibit Number | | Exhibit |
|-------------------|-----|--|
| 10.24(k) | ___ | Fourth Amendment and Waiver to Amended and Restated Loan Agreement between IntegraMed America, Inc. and Fleet National Bank, a Bank of America Company dated as of March 21, 2005. |
| 10.32 | ___ | Submanagement Agreement dated January 1, 2005 between Reproductive Partners Inc and IntegraMed America, Inc. |
| 10.32(a) | ___ | First Amended Management, Service and Facility Agreement between Reproductive Partners Inc. and Reproductive Partners Medical Group Inc. dated January 1, 2005. |
| 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 May 13, 2005. |
| 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 May 13, 2005. |
| 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 May 13, 2005. |
| 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 May 13, 2005. |

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