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INTEGRAMED AMERICA INC
Form 10-Q
November 13, 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 September 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
(State or other jurisdiction of
incorporation or organization)

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

One 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

The aggregate number of shares of the Registrant's Common Stock, \$.01 par value, outstanding on October 30, 2002 was 3,345,510.

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PART I -- FINANCIAL INFORMATION	
Item 1. Consolidated Financial Statements	

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

ASSETS	September 30, ----- 2002 ----- (unaudited)	Dec ----- ----- -----
Current assets:		
Cash and cash equivalents	\$ 9,274	\$
Due from Medical Practices, net	4,147	
Pharmaceutical sales accounts receivable	2,020	
Prepays and other current assets	1,850	
	-----	-----
Total current assets	17,291	1
Fixed assets, net	5,450	
Intangible assets, net	20,089	1
Deferred taxes	4,077	
Other assets	344	
	-----	-----
Total assets	\$ 47,251	\$ 4
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 843	\$
Accrued liabilities	5,386	
Current portion of long-term notes payable and other obligations	1,259	
Patient deposits	7,818	
	-----	-----
Total current liabilities	15,306	1
	-----	-----
Long-term notes payable and other obligations	500	
	-----	-----
Commitments and contingencies		
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 12,251 and 165,644 shares were issued and outstanding in 2002 and 2001, respectively	12	
Common Stock, \$.01 par value - 50,000,000 shares authorized in 2002 and 2001; and 3,344,104 and 3,057,877 shares issued in 2002 and 2001, respectively ..	33	
Capital in excess of par	47,273	4
Accumulated deficit	(15,873)	(1
	-----	-----
Total shareholders' equity	31,445	3
	-----	-----
Total liabilities and shareholders' equity	\$ 47,251	\$ 4
	=====	=====

See accompanying notes to the consolidated financial statements.

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

	For the three-month period ended September 30,		For the nine-month period ended September	
	2002	2001	2002	2001
	(unaudited)		(unaudited)	
Revenues, net				
Reproductive Science Center service fees	\$ 17,463	\$ 15,633	\$ 49,870	\$ 43,870
Pharmaceutical sales	5,699	4,125	14,363	11,870
Other revenues	415	200	1,042	1,042
Total revenues	23,577	19,958	65,275	56,782
Cost of services and sales:				
Reproductive Science Center costs	14,734	13,104	42,395	35,870
Pharmaceutical costs	5,482	3,946	13,818	10,870
Other costs	316	188	869	869
Total costs of services and sales	20,532	17,238	57,082	47,609
Contribution:				
Reproductive Science Center contribution	2,729	2,529	7,475	7,475
Pharmaceutical contribution	217	179	545	545
Other contribution	99	12	173	173
Total contribution	3,045	2,720	8,193	8,193
General and administrative expenses	2,238	1,945	5,984	5,984
Amortization of intangible assets	304	224	780	780
Interest income	(21)	(44)	(73)	(73)
Interest expense	40	61	119	119
Total other expenses	2,561	2,186	6,810	6,810
Income before income taxes	484	534	1,383	1,383
Income tax provision	159	65	456	456
Net income	\$ 325	\$ 469	\$ 927	\$ 927
Less: Dividends paid and/or accrued on Preferred Stock	3	33	69	69
Net income applicable to Common Stock	\$ 322	\$ 436	\$ 858	\$ 858

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	=====	=====	=====	=====
Basic earnings per share of Common Stock:	\$ 0.10	\$ 0.14	\$ 0.27	\$
Diluted earnings per share of Common Stock	\$ 0.09	\$ 0.14	\$ 0.25	\$
Weighted average shares - basic	3,270	3,043	3,143	3
Weighted average shares - diluted	3,565	3,177	3,436	3

See accompanying notes to the consolidated financial statements.

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

		Fo nine-mon ended Se ----- 2002 ----- (una
Cash flows from operating activities:		
Net income	\$ 927	
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,124	
Amortization of deferred tax asset.....	714	
Change in assets and liabilities -- Decrease (increase) in assets:		
Due from Medical Practices	802	
Pharmaceutical sales accounts receivable	(509)	
Business Service fees receivable	--	
Prepays and other current assets	111	
Other assets	(81)	
Increase (decrease) in liabilities:		
Accounts payable	(593)	
Accrued liabilities	158	
Patient deposits	3,167	
Net cash provided by operating activities	6,820	
Cash flows used in investing activities:		
Payment for exclusive Business Service rights	(3,491)	
Purchase of fixed assets and leasehold improvements	(1,531)	
Net cash used in investing activities	(5,022)	

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Cash flows used in financing activities:	
Principal repayments on debt	(824)
Principal repayments under capital lease obligations	(108)
Repurchase of preferred stock	(1,535)
Repurchase of Common Stock	--
Issuance of Common Stock	1,507
Dividends paid on Convertible Preferred Stock	(69)

Net cash used in financing activities	(1,029)

Net increase in cash	769
Cash at beginning of period	\$ 8,505

Cash at end of period	\$ 9,274
	=====

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 September 30, 2002, 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, 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 computations for the three-month and nine-month periods ended September 30, 2002 and 2001 is as follows (000's omitted, except for per share amounts):

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	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2002	2001	2002	2001
Numerator				
Net Income	\$ 325	\$ 469	\$ 927	\$ 1,234
Less: Preferred stock dividends	(3)	(33)	(69)	(99)
Income applicable to Common Stock	\$ 322	\$ 436	\$ 858	\$ 1,135
Denominator				
Weighted average shares outstanding	3,270	3,043	3,143	3,091
Effect of dilutive options and warrants	295	134	293	67
Weighted average shares and dilutive potential				
Common shares	3,565	3,177	3,436	3,158
Basic EPS	\$ 0.10	\$ 0.14	\$ 0.27	\$ 0.37
Diluted EPS	\$ 0.09	\$ 0.14	\$ 0.25	\$ 0.36

For the three and nine-month period ended September 30, 2002, the effect of the assumed exercise of options to purchase approximately 42,500 shares of Common Stock at exercise prices ranging from \$6.80 to \$8.57 per share were excluded in computing the diluted per share amount because the exercise price of the options was greater than the average market price of the shares of Common Stock, therefore causing these options to be antidilutive. For the three and nine-month period ended September 30, 2001, the effect of the assumed exercise of options to purchase approximately 216,000 and 465,000 shares of common stock, respectively, at exercises prices ranging from \$4.63 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.

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

For the three and nine month period ended September 30, 2002, the effect of the assumed exercise of warrants to purchase approximately 88,000 shares of Common Stock at an exercise price of \$9.00 per share were excluded in computing the diluted per share amount because the exercise prices of the warrants were greater than the average market price of the shares of Common Stock, thereby causing these warrants to be antidilutive. For the three and nine month period ended September 30, 2001, the effect of the assumed exercise of warrants to purchase approximately 25,000 and 62,000 shares of Common Stock, respectively, 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

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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.

For the three and nine-month period ended September 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 nine-month period ended September 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 -----	Pharmaceutic Distributio -----
For the three months ended September 30, 2002			
Revenues	\$ --	\$17,878	\$ 5,699
Cost of services	--	15,050	5,482
	-----	-----	-----
Contribution	--	2,828	217
General and administrative costs	2,238	--	--
Amortization of intangibles	--	304	--
Interest, net	19	1	(1)
	-----	-----	-----
Income (loss) before income taxes	(2,257)	2,523	218
Depreciation expense included above.....	176	308	--
Capital expenditures	9	270	--

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	Corporate	Business Services	Pharmaceutic Distributio
For the nine months ended September 30, 2002			
Revenues.....	\$ --	\$50,912	\$14,363
Cost of services.....	--	43,264	13,818
	-----	-----	-----

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Contribution.....	--	7,648	545
General and administrative costs.....	5,984	--	--
Amortization of intangibles.....	--	780	--
Interest, net.....	37	12	(3)
	-----	-----	-----
Income (loss) before income taxes.....	(6,021)	6,856	548
Depreciation expense included above.....	321	1,023	--
Capital expenditures.....	131	1,400	--
For the three months ended September 30, 2001			
Revenues.....	\$ --	\$15,833	\$4,125
Cost of Services.....	--	13,292	3,946
	-----	-----	-----
Contribution.....	--	2,541	179
General and administrative expenses.....	1,945	--	--
Amortization of intangibles.....	--	222	2
Interest, net.....	28	(7)	(4)
	-----	-----	-----
Income before income taxes.....	(1,973)	2,326	181
Depreciation expense included above.....	107	324	--
Capital expenditures.....	--	218	--
For the nine months ended September 30, 2001			
Revenues.....	\$ --	\$43,547	\$11,189
Cost of Services.....	--	36,358	10,704
	-----	-----	-----
Contribution.....	--	7,189	485
General and administrative expenses.....	5,514	--	--
Amortization of intangibles.....	2	658	5
Interest, net.....	114	(24)	(8)
	-----	-----	-----
Income before income taxes.....	(5,630)	6,555	488
Depreciation expense included above.....	321	898	--
Capital expenditures.....	161	1,348	--

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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(R) 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(TM) 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 tiered percentage of revenue, (b) a fixed percentage of medical practice earnings and (c) reimbursed cost of services, the Company negotiated lower additional percentages on the revenue and medical practice earnings components. These lower fees are to be phased in over an estimated five-year period. 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 tiered 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.

On July 30, 2002, the Company completed a private placement of 220,000 shares of its common stock at \$6.25 per share and warrants to purchase 88,000 shares of common stock at an exercise price of \$9.00 per share, resulting in gross proceeds of \$1,375,000. The warrants become exercisable commencing January 31, 2003 and expire January 30, 2006.

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The Company seeks to increase the number of patients of the IntegraMed Network that participate in the Shared Risk Refund Program. The Shared Risk Refund Program was established at Shady Grove Fertility Reproductive Science Center ("Shady Grove") - the leading fertility center in the metropolitan Washington, DC area and a member of the IntegraMed Network. Based on the

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experience at Shady Grove, the Company developed an actuarial model that allows pricing a treatment package to consumers. The Shared Risk Refund Program consists of a package that includes up to three cycles of in vitro fertilization for one fixed price with a significant refund if the patient does not deliver a baby. Under this innovative financial program, the Company receives payment directly from consumers who qualify for the program and pays contracted fertility centers a defined reimbursement for each treatment cycle performed. The Company manages the risk associated with the Shared Risk Refund Program through a case management program. This case management program authorizes patient care and provides information to be used in recognizing revenue and developing the related reserves for refunds. Actual results to date have not varied materially from the estimates used in the actuarial model.

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. Ratios for Revenues, Cost of services incurred and Contribution for a particular segment are percentages of the related revenues from that segment only. All other ratios are percentages of Total Revenues.

	For the three-month period ended September 30,		For the nine-month period ended September	
	2002	2001	2002	2001
	----- (unaudited)		----- (unaudited)	
Revenues, net				
Reproductive Science Center Service Fees	100.0%	100.0%	100.0%	100.0%
Pharmaceutical Sales	100.0%	100.0%	100.0%	100.0%
Other Revenues	100.0%	100.0%	100.0%	100.0%
Total Revenues	100.0%	100.0%	100.0%	100.0%
Costs of services incurred:				
Reproductive Science Center costs.....	84.4%	83.8%	85.0%	83.8%
Pharmaceutical costs	96.2%	95.7%	96.2%	95.7%
Other costs	76.1%	94.0%	83.4%	150.0%
Total Costs of services and sales.....	87.1%	86.4%	87.4%	86.4%
Contribution				
Reproductive Science Center contribution	15.6%	16.2%	15.0%	17.0%
Pharmaceutical contribution	3.8%	4.3%	3.8%	4.3%
Other contribution	23.9%	6.0%	16.6%	(5.0)%
Total contribution	12.9%	13.6%	12.6%	14.0%
General and administrative expenses	9.5%	9.7%	9.2%	10.0%
Amortization of intangible assets	1.3%	1.1%	1.2%	1.1%
Interest income	(0.0)%	(0.2)%	(0.1)%	(0.0)%
Interest expense	0.1%	0.3%	0.2%	0.0%
Total other expenses	10.9%	10.9%	10.5%	11.1%
Income before income taxes	2.0%	2.7%	2.1%	2.7%
Provision for income taxes	0.6%	0.3%	0.7%	0.0%
Net income	1.4%	2.4%	1.4%	2.7%
	=====	=====	=====	=====

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

Revenues, net for the three months ended September 30, 2002 were approximately \$23.6 million as compared to approximately \$20.0 million for the same period in 2001, an increase of 18.1%. Revenues for the Company's Reproductive Science Centers increased by a net \$1.8 million, or 11.7%, from the third quarter of 2001 to the third 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 \$0.9 million of revenue at the Company's new Florida location in the third 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 \$1.6 million, or 38.2%, from the third quarter of 2001 to the third quarter of 2002. This increase is due to increased patient participation within the Company's Fertility Centers as well as expansion of the program to affiliated clinics within the Company's network. Other revenues increased from \$200,000 in the third quarter of 2001 to \$415,000 in the third quarter of 2002, as a result of a rising revenue stream from the Company's FertilityDirect program.

Total costs of services as a percentage of revenues increased by 0.7% to 87.1% during the third quarter of 2002 as compared to 86.4% for the third quarter of 2001 due mainly to the continued increases in volume of lower margin pharmaceutical goods and the impact of the revised Reproductive Science Center fee structure, previously discussed.

Costs of services for the Company's Reproductive Science Center division as a percentage of the related revenue increased from 83.8% in the third quarter of 2001 to 84.4% during the third quarter of 2002 principally due to the revised fee structure and the fact that the termination payment discussed above for 2001 had very low costs associated with it. Costs of services as a percentage of related revenue for the Company's pharmaceutical division increased from 95.7% in the third quarter of 2001 to 96.2% in the third quarter of 2002 due principally to changes in drug cost rebate programs offered by pharmaceutical manufacturers in 2002 as compared to 2001. Other costs of services as a percentage of revenue decreased from 94.0% in the third quarter of 2001 to 76.1% during the third quarter of 2002, as start-up costs associated with the Company's FertilityDirect program have decreased.

Total Contribution for the three months ended September 30, 2002 was \$3.0 million, up from the \$2.7 million reported in the third quarter of 2001, due principally to the gains mentioned above, partially offset by a \$0.3 million reduction in contribution from the 2001 termination payment.

General and administrative expenses for the third quarters of 2002 and 2001 were \$2.2 million and \$1.9 million, respectively. As a percentage of revenues, general and administrative expenses decreased to 9.5% in the third quarter of 2002 from 9.7% in the third quarter of 2001.

Amortization of intangible assets was \$304,000 in the third quarter of 2002

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as compared to \$224,000 in the third quarter of 2001, an increase of 35.7%. 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 third quarter of 2002 decreased to \$21,000 from \$44,000 for the third quarter of 2001 due to lower interest rates earned on invested cash balances. Interest expense for the third quarter of 2002 decreased to \$40,000 from \$61,000 in the third quarter of 2001 principally due to scheduled debt payments on the Company's term loan.

During the third quarter of 2002, the Company provided for both federal and state taxes whereas in 2001, only state taxes were provided for. The Company will not have to pay federal taxes due to net operating loss carry-forwards, however 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 that would have been paid if there had been no loss carry-forward. The Company's effective tax rate for the third quarter of 2001 was approximately 12.2% and the effective tax rate for the third quarter of 2002 was approximately 32.9%. The 2002 third quarter rate reflects credits for the reversal of state taxes provided for in prior periods, which were in excess of actual tax liabilities.

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Net income was \$325,000 in the third quarter of 2002 as compared to \$469,000 in the third quarter of 2001, a decrease of 30.7%. This decrease resulted from the factors discussed above, including the loss of the termination payment and the higher tax rate.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001

Revenues, net for the nine months ended September 30, 2002 were approximately \$65.3 million as compared to approximately \$54.7 million for the same period in 2001, an increase of 19.3%. Revenues for the Company's Reproductive Science Centers increased \$6.6 million, or 15.2%, from the first nine months of 2001 to the first nine 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 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 \$3.2 million, or 28.4%, from the first nine months of 2001 to the same period in 2002 due to increased patient participation within the Company's Fertility Centers and the expansion of the program to the Company's affiliated Network sites. Other revenues increased from \$0.3 million to \$1.0 million from the first nine months of 2001 to the first nine 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 1.4% to 87.4% during the first nine months of 2002 as compared to 86.0% 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 83.1% during the first nine months of 2001 to 85.0% 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

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the first nine months of 2001 to 96.2% in the first nine months of 2002 reflecting pricing changes by pharmaceutical manufacturers in 2002. Other costs of services as a percentage of revenue decreased from 150% during the first nine months in 2001 to 83.4% for the same period in 2002 reflecting growth in the Company's FertilityDirect program.

Total Contribution for the nine months ended September 30, 2002 was \$8.2 million, an increase of 6.8% from the \$7.7 million for the same period in 2001 reflecting volume growth in the Company's Reproductive Science Centers as well as improvement in contribution from the FertilityDirect program, somewhat offset by the elimination of \$1.0 million in contribution from 2001's termination payment.

General and administrative expenses for the first nine months of 2002 were approximately \$6.0 million as compared to \$5.5 million during the same period in 2001. As a percentage of revenues, general and administrative expenses decreased to approximately 9.2% in the first nine months of 2002 from approximately 10.1% in the first nine months of 2001.

Amortization of intangible assets was \$780,000 during the first nine months of 2002 as compared to \$665,000 for the same period of 2001, an increase of 17.3%. 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 nine months of 2002 decreased to \$73,000 from \$142,000 for the same period in 2001 due to lower interest rates earned on invested cash balances. Interest expense for the first nine months of 2002 decreased to \$119,000 from \$224,000 during the first nine months of 2001 principally due to scheduled debt payments on the Company's term loan.

During the first nine months of 2002, the Company provided for both federal and state taxes whereas in 2001, only state taxes were provided for. Net operating loss carry-forwards will shield the Company from substantially all of its federal tax burden in 2002. These loss carry-forwards had been recorded as a deferred tax asset in the fourth quarter of 2001; however, since payment is not made for federal taxes, the deferred tax asset account is amortized to the

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Company's tax expense for the amount, which would have been paid if there had been no loss carry-forward. The Company's effective tax rate for the first nine months of 2001 was approximately 12.7% and was comprised mainly of a provision for state income taxes. The effective tax rate for the first nine 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 \$927,000 for the first nine months of 2002 as compared to \$1.2 million for the same period of 2001. This decrease resulted from the factors discussed above, principally the elimination of approximately \$972,000 of contribution from the 2001 termination payment and the increased tax provision resulting from amortization of the deferred tax asset.

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

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leading bank to provide financing for working capital and business development purposes. Working capital was \$2.0 million as of September 30, 2002 compared to working capital of \$4.2 million as of December 31, 2001. During the first nine months of 2002, the Company purposely used the majority of 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. The Company is presently evaluating its debt position and balance sheet leverage options and may effect changes to each in the future (see concluding paragraph to this section). As mentioned earlier, the Company sold common shares and warrants in a private placement in the third quarter of 2002, raising approximately \$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 September 30, 2002, the full amount of the \$7.0 million was available as there were no amounts outstanding under the revolver. As of September 30, 2002, the term loan balance was \$1.5 million. The Fleet credit facility is collateralized by all of the Company's assets.

The Fleet credit facility limits the amount of capital expenditures during a twelve-month period. The Company incurred capital expenditures in excess of the limit and Fleet waived compliance with that section of the loan agreement for the quarter ended September 30, 2002.

In October 2002, the Company redeemed its remaining 12,251 shares of Series a Preferred Stock for \$10.30 per share plus accumulated dividends. This redemption frees the Company from its dividend obligation and also provides additional flexibility for structuring future issues of capital securities.

Contractual obligations and other commitments for 2003, as discussed below, represent payments on existing debt and leases as well as anticipated capital improvements. Payment for these commitments and obligations will come from existing working capital, future expected cashflows and if needed, draw downs under existing available lines of credit.

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.

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Significant Contractual Obligations and Other Commercial Commitments:

The following summarizes the Company's contractual obligations and other commercial commitments at September 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.....	\$ 1,683,000	\$ 1,183,000	\$ 500,000	\$ --
Capital lease obligations.....	76,000	76,000	--	--
Operating leases.....	16,354,000	2,677,000	4,941,000	4,126,000
Capital improvements.....	7,000,000	7,000,000		
Total contractual cash obligations.....	\$25,113,000	\$10,936,000	\$5,441,000	\$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	\$ --

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.

New Accounting Standards

Financial Accounting Standards 145 --

This statement rescinds FASB Statement No. 4, Reporting Gains and Losses from Extinguishment of Debt, and an amendment of that Statement, FASB Statement No. 64, Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements. This Statement also rescinds FASB Statement No. 44, Accounting for Intangible Assets of Motor Carriers. This Statement amends FASB Statement No. 13, Accounting for Leases, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The Company does not believe the adoption of SFAS 145 will have a significant impact on its financial statements.

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Financial Accounting Standard 146 --

This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The Company does not believe the adoption of SFAS 146 will have a significant impact on its financial statements.

Financial Accounting Standard 147 --

FASB Statement No. 72, Accounting for Certain Acquisitions of Banking or Thrift Institutions, and FASB Interpretation No. 9, Applying APB Opinions No. 16 and 17 When a Savings and Loan Association or a Similar Institution Is Acquired in a Business Combination Accounted for by the Purchase Method, provided interpretive guidance on the application of the purchase method to acquisitions of financial institutions. Except for transactions between two or more mutual enterprises, this Statement removes acquisitions of financial institutions from the scope of both Statement 72 and Interpretation 9 and requires that those transactions be accounted for in accordance with FASB Statements No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets. Thus, the requirement in paragraph 5 of Statement 72 to recognize (and subsequently amortize) any excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset no longer applies to acquisitions within the scope of this Statement. In addition, this Statement amends FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. Consequently, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that Statement 144 requires for other long-lived assets that are held and used. The Company does not believe the adoption of SFAS 147 will have a significant impact on its financial statements.

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 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.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

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-14(c) and 15d-14(c) under the Exchange Act) as of a date (the "Evaluation Date") within 90 days prior to the filing date of this report. 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.

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(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.

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

Item 2. Changes in Securities and Use of Proceeds.

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On July 30, 2002, the Company completed a private placement of 220,000 shares of its common stock at \$6.25 per share and warrants to purchase 88,000 shares of common stock at an exercise price of \$9.00 per share, resulting in gross proceeds of \$1,375,000. The warrants become exercisable commencing January 31, 2003 and expire January 30, 2006. The securities were sold in a private placement in reliance on Regulation D under the Securities Act of 1933. H.C. Wainwright & Co. acted as placement agent for the private placement and received a cash fee of \$33,750 and warrants to purchase 17,600 shares of common stock at an exercise price of \$6.25 per share.

- Item 3. Defaults Upon Senior Securities.
None.
- Item 4. Submission of Matters to Vote of Security Holders.
None.
- Item 5. Other Information.
None.
- Item 6. Exhibits and Reports on Form 8-K.
See Index to Exhibits on Page 21.

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SIGNATURES

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

INTEGRAMED AMERICA, INC.
(Registrant)

Date: November 13, 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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CERTIFICATION PURSUANT TO
18 U.S.C. ss.1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gerardo Canet, certify that:

1. I have reviewed this quarterly report on Form 10-Q of IntegraMed America, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation,

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including any corrective actions with regard to significant deficiencies and material weaknesses.

November 13, 2002

By: /s/Gerardo Canet

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CERTIFICATION PURSUANT TO
18 U.S.C. ss.1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John W. Hlywak, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of IntegraMed America, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - d. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have

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- identified for the registrant's auditors any material weaknesses in internal controls; and
- e. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
 - 6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 13, 2002

By: /s/John W. Hlywak, Jr

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Exhibit Number		Exhibit
10.113(h)	--	Amendment to Amended and Restated Loan Agreement between IntegraMed America, Inc. and Fleet National Bank dated September 20, 2002.
10.118(a)	--	Amendment No. 1 to Service Agreement between IntegraMed America, Inc., and Northwest Center for Infertility and Reproductive Endocrinology dated June 14, 2002
99.19	--	Registrant's Press Release dated October 25, 2002. (1)
99.20	--	Registrant's Press Release dated October 30, 2002. (2)
99.21	--	CEO Certification Pursuant to 18 U.S.C.ss.1350 as Adopted Pursuant to Sections 906 of the Sarbanes Oxley Act of 2002 dated November 13, 2002.
99.22	--	CFO Certification Pursuant to 18 U.S.C.ss.1350 as Adopted Pursuant to Sections 906 of the Sarbanes Oxley Act of 2002 dated November 13, 2002.

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- (1) Filed as exhibit with identical exhibit number to Registrant's Report on Form 8-K dated October 28, 2002, which was filed erroneously as Exhibit 99.17.
 - (2) Filed as exhibit with identical exhibit number to Registrant's Report on Form 8-K dated October 31, 2002, which was filed erroneously as Exhibit 99.18.

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