

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

INTEGRAMED AMERICA INC  
Form 10-Q  
August 10, 2007

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

FORM 10-Q

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

For the quarterly period ended June 30, 2007

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

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

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The aggregate number of shares of the Registrant's Common Stock, \$.01 par value, outstanding on July 24, 2007 was 8,186,758.

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## INTEGRAMED AMERICA, INC. FORM 10-Q

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CERTIFICATIONS PURSUANT TO 18 U.S.C ss.1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002..... EXHIBITS

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

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

ASSETS

	June 30,	Decemb
	-----	-----
	2007	20
	-----	-----
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents .....	\$ 36,267	\$ 32
Pharmaceutical and other receivables, net .....	420	
Deferred income taxes, net .....	1,525	2
Prepays and other current assets .....	3,550	2
	-----	-----
Total current assets .....	41,762	38
Fixed assets, net .....	13,670	13
Exclusive Service Rights and other intangibles, net .....	20,891	22
Deferred income taxes .....	589	
Other assets .....	650	
	-----	-----
Total assets .....	\$ 77,562	\$ 75
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable .....	\$ 762	\$ 1
Accrued liabilities .....	11,974	11
Current portion of long-term notes payable and other obligations .....	1,468	1
Due to medical practices .....	5,833	4
Shared Risk Refund program patient deposits .....	8,477	6
	-----	-----
Total current liabilities .....	28,514	25
Deferred tax liability .....	--	1
Long-term notes payable and other obligations .....	6,552	7
	-----	-----
Total Liabilities .....	35,066	34
Commitments and Contingencies		

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Shareholders' equity:

Common Stock, \$.01 par value - 15,000,000 shares authorized; 8,193,663 and 8,127,387 shares issued and outstanding in 2007 and 2006, respectively .....	82	
Capital in excess of par .....	49,531	49
Accumulated other comprehensive income .....	(6)	
Treasury Stock, at cost - 4,734 and 0 shares in 2007 and 2006, respectively .....	(60)	
Accumulated deficit .....	(7,051)	(8)
	-----	-----
Total shareholders' equity .....	42,496	40
	-----	-----
Total liabilities and shareholders' equity .....	\$ 77,562	\$ 75
	=====	=====

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 June 30,		For the six-month period ended June 30,	
	2007	2006	2007	2006
	(unaudited)		(unaudited)	
Revenues, net				
Provider Services .....	\$ 30,049	\$ 28,956	\$ 59,458	\$ 56,732
Consumer Services .....	3,963	2,853	6,938	5,511
	-----	-----	-----	-----
Total revenues .....	34,012	31,809	66,396	62,243
	-----	-----	-----	-----
Costs of revenues:				
Provider Services costs .....	26,815	26,249	53,226	51,281
Consumer Services costs .....	2,702	1,804	4,844	3,444
	-----	-----	-----	-----
Total costs of revenues .....	29,517	28,053	58,070	54,725
	-----	-----	-----	-----
Contribution				
Provider Services contribution .....	3,234	2,707	6,232	5,451
Consumer Services contribution .....	1,261	1,049	2,094	2,067
	-----	-----	-----	-----
Total contribution .....	4,495	3,756	8,326	7,518
	-----	-----	-----	-----
General and administrative expenses .....	3,457	2,952	6,589	6,004

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Interest income .....	(359)	(260)	(694)	(481)
Interest expense .....	158	199	277	358
	-----	-----	-----	-----
Total other expenses .....	3,256	2,891	6,172	5,881
	-----	-----	-----	-----
Income before income taxes .....	1,239	865	2,154	1,637
Income tax provision .....	422	332	722	628
	-----	-----	-----	-----
Net income .....	\$ 817	\$ 533	\$ 1,432	\$ 1,009
	=====	=====	=====	=====
Basic and diluted net earnings per share:				
Basic earnings per share .....	\$ 0.10	\$ 0.07	\$ 0.18	\$ 0.12
	=====	=====	=====	=====
Diluted earnings per share .....	\$ 0.10	\$ 0.07	\$ 0.17	\$ 0.12
	=====	=====	=====	=====
Weighted average shares - basic .....	8,155	8,054	8,147	8,086
Weighted average shares - diluted .....	8,253	8,194	8,246	8,226

See accompanying notes to the consolidated financial statements.

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

	Common Shares	Stock Amount	Capital in Excess of Par	Accumulated Other Comprehensive Income	Treasury Shares	Stock Amount
	-----	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 2006.....	8,127	\$81	\$49,245	\$ (9)	--	--
Net income for the six months ended						
June 30, 2007.....	--	--	--	--	--	--
Stock grants issued, net.....	44	--	--	--	5	(6)
Stock grant amortization.....	--	--	225	--	--	--
Exercise of common stock options.....	23	1	61	--	--	--
Unrealized gain on hedging transaction	--	--	--	3	--	--
BALANCE AT June 30, 2007.....	8,194	\$82	\$49,531	\$ (6)	5	\$ (6)
	=====	=====	=====	=====	=====	=====

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See accompanying notes to the consolidated financial statements.

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

	For the six-month period ended June 30,	
	2007	2006
	----- (unaudited)	
Cash flows from operating activities:		
Net income .....	\$ 1,432	\$ 1,009
Adjustments to reconcile net income to Net cash provided by operating activities:		
Depreciation and amortization .....	3,017	2,861
Deferred income tax provision .....	(20)	500
Stock-based compensation .....	225	201
Changes in assets and liabilities Decrease (increase) in assets:		
Pharmaceutical and other accounts receivable .....	25	22
Prepays and other current assets .....	324	(783)
Other assets .....	38	(84)
Increase (decrease) in liabilities:		
Accounts payable .....	(745)	(152)
Accrued liabilities .....	(378)	1,247
Due to medical practices .....	1,534	(373)
Shared Risk Refund program patient deposits .....	1,951	980
	-----	-----
Net cash provided by operating activities .....	7,403	5,428
Cash flows from investing activities:		
Payment for exclusive FertilityPartners service rights .....	(500)	--
Payment for other intangibles .....	(37)	--
Purchase of fixed assets and leasehold improvements .....	(2,094)	(1,449)
	-----	-----
Net cash used in investing activities .....	(2,631)	(1,449)
Cash flows from financing activities:		
Principal repayments on debt .....	(714)	(714)
Principal repayments under capital lease obligations .....	(37)	(36)
Proceeds from exercise of stock options and other .....	62	198
	-----	-----
Net cash provided by (used in) financing activities .....	(689)	(552)
Net increase in cash and cash equivalents .....	4,083	3,427
Cash and cash equivalents at beginning of period .....	32,184	22,521
	-----	-----
Cash and cash equivalents at end of period .....	\$ 36,267	\$ 25,948

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	=====	=====
Supplemental Information:		
Interest paid .....	\$ 263	\$ 348
Income taxes paid .....	\$ 517	\$ 247

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 June 30, 2007, 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, 2007. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in IntegraMed America's Annual Report on Form 10-K for the year ended December 31, 2006.

NOTE 2 -- COMMON SHARES OUTSTANDING:

All common share numbers reported herein reflect the 25% stock split effected in the form of a stock dividend declared by the Board of Directors on May 22, 2006 and paid on June 21, 2006, and the 25% stock split effected in the form of a stock dividend declared by the Board of Directors on March 19, 2007 and paid on May 4, 2007.

NOTE 3 -- EARNINGS PER SHARE:

The reconciliation of the numerators and denominators of the basic and diluted EPS computations for the three and six month periods ended June 30, 2007 and 2006 is as follows (000's omitted, except for per share amounts):

For the three-month period ended June 30,		For the six-month period ended June 30,	
-----		-----	
2007	2006	2007	2006

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	-----	-----	-----	-----
Numerator				
Net Income .....	\$ 817	\$ 533	\$1,432	\$1,009
Denominator				
Weighted average shares outstanding (basic) ..	8,155	8,054	8,147	8,086
Effect of dilutive options and warrants .....	98	140	99	140
-----				
Weighted average shares and dilutive potential Common shares (diluted) .....	8,253	8,194	8,246	8,226
Basic EPS .....	\$ 0.10	\$ 0.07	\$ 0.18	\$ 0.12
=====				
Diluted EPS .....	\$ 0.10	\$ 0.07	\$ 0.17	\$ 0.12
=====				

For the three and six month periods ended June 30, 2007 and 2006, there were no outstanding options to purchase shares of Common Stock which were excluded from the computation of the diluted earnings per share amount as the exercise prices of all outstanding options were less than the average market price of the shares of Common Stock.

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

NOTE 4 -- SEGMENT INFORMATION:

We currently report two major lines of business, our Provider Services, which is comprised of our Partner and Affiliate segments, and our Consumer Services, which is comprised of our Shared Risk(R) Refund Program and Pharmaceutical segments. Performance by segment, for the three and six month periods ended June 30, 2007 and 2006, is presented below.

	Providers			Consumers	
	Corporate	Fertility Partners	Affiliates	Shared Risk	Pharm
-----					
For the three months ended June 30, 2007					
Revenues .....	\$--	\$ 29,728	\$ 321	\$ 3,916	\$
Cost of Services .....	--	26,805	10	2,699	
-----					
Contribution .....	--	2,923	311	1,217	
Operating Margin .....	--	9.8%	96.9%	31.1%	
-----					



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General and administrative .....	3,457	--	--	--	
Interest income, net .....	(201)	--	--	--	
Income before income taxes .....	(3,256)	2,923	311	1,217	
Depreciation expense included above..	217	973	--	--	
Capital expenditures .....	147	797	--	--	
Total assets .....	36,049	40,724	196	145	
For the six months ended June 30, 2007					
Revenues .....	\$--	\$ 58,820	\$ 638	\$ 6,833	\$
Cost of Services .....	--	53,213	13	4,842	
		-----	-----	-----	-----
Contribution .....	--	5,607	625	1,991	
Operating Margin .....	--	9.5%	98.0%	29.1%	
General and administrative .....	6,589	--	--	--	
Interest income, net .....	(417)	--	--	--	
Income before income taxes .....	(6,172)	5,607	625	1,991	
Depreciation expense included above..	419	1,905	--	--	
Capital expenditures .....	329	1,765	--	--	
Total assets .....	36,049	40,724	196	145	
For the three months ended June 30, 2006					
Revenues .....	\$ --	\$ 28,648	\$ 308	\$ 2,751	\$
Cost of Services .....	--	26,249	--	1,876	
		-----	-----	-----	-----
Contribution .....	--	2,399	308	875	
Operating Margin .....	--	8.4%	100.0%	31.8%	1
General and administrative .....	2,952	--	--	--	
Interest income, net .....	(61)	--	--	--	
		-----	-----	-----	-----
Income before income taxes .....	(2,891)	2,399	308	875	
Depreciation expense included above..	\$ 149	\$ 917	\$ --	\$ --	\$
Capital expenditures .....	\$ 254	\$ 512	\$ --	\$ --	\$
Total assets .....	\$ 27,535	\$ 40,426	\$ 318	\$ 221	\$

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

		Providers		Consumers	
		(unaudited)			
	Corporate	Fertility Partners	Affiliates	Shared Risk	Pharm
	-----	-----	-----	-----	-----
For the six months ended June 30, 2006					
Revenues.....	\$ --	\$56,145	\$ 587	\$5,256	
Cost of Services.....	--	51,280	1	3,516	
		-----	-----	-----	-----
Contribution.....	--	4,865	586	1,740	
Operating Margin.....	--	8.7%	99.8%	33.1%	

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General and administrative.....	6,004	--	--	--
Interest income, net.....	(123)	--	--	--
	-----	-----	-----	-----
Income before income taxes.....	(5,881)	4,865	586	1,740
Depreciation expense included above..	\$ 288	\$ 1,825	\$ --	\$ --
Capital expenditures.....	\$ 428	\$ 1,021	\$ --	\$ --
Total assets.....	\$27,535	\$40,426	\$ 318	\$ 221

NOTE 5 - DUE TO MEDICAL PRACTICES:

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

As of June 30, 2007 and December 31, 2006, Due to Medical Practices was comprised of the following balances:

	2007	2006
	-----	-----
	(unaudited)	
Advances to Partner .....	\$(15,705)	\$(12,732)
Undistributed Physician Earnings ..	2,569	2,839
Physician Practice Patient Deposits	18,969	14,192
	-----	-----
Due to Medical Practices, net .....	\$ 5,833	\$ 4,299
	=====	=====

NOTE 6 - STOCK-BASED EMPLOYEE COMPENSATION:

As of June 30, 2007, we had two stock-based employee compensation plans, which are described more fully in Note 13 of the financial statements in our most recent Annual Report on Form 10-K.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share Based Payment" ("SFAS No. 123(R)"). SFAS No. 123(R) supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". Effective January 1, 2006, we adopted SFAS No. 123(R). For the three and six month periods ended June 30, 2006, we recorded a charge to earnings to recognize compensation expense of \$27,000 and \$87,000, respectively, related to the value of outstanding stock options issued in prior years which vested in 2006. As of June 30, 2007, we had no unrecognized compensation costs related to stock options which had been previously granted under our plans as all options are currently vested.

We also issue restricted stock grants to officers and members of the Board of Directors. Stock granted to Board members vests immediately and stock granted to officers generally vests over a period of three years. Our General and Administrative expense includes compensation costs recognized in connection with

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month periods ended June 30, 2007 and \$105,000 and \$201,000 for the three and six month periods ended June 30, 2006.

NOTE 7 -- HEDGING TRANSACTION:

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

During the second quarter of 2006, we entered into an interest rate swap agreement designed to hedge the risks associated with our floating rate debt. As a result of this agreement, our net income includes financing costs associated with this transaction of approximately \$2,000 in the second quarter of 2007 and \$4,000 in the first six months of 2007, and we expect to record additional financing costs of less than \$10,000 over the coming twelve months, given current interest rate forecasts. In addition to the costs included in our reported net income, this hedge also generated non-recognized income of approximately \$5,000 for the second quarter of 2007, and a loss of approximately \$6,000 for the first six months ended June 30, 2007 which is reported as part of our comprehensive income.

We deem this hedge to be highly effective as it shares the same valuation, termination date and amortization schedule as the underlying debt subject to the hedge. In addition the swap transaction was structured such that the change in fair value of the swap inversely mimics the hedged item. As of June 30, 2007, we had no other hedge or derivative transactions.

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

	For the Three-month period June 30,		For the six-month period June 30,	
	2007	2006	2007	2006
	-----	-----	-----	-----
Net income as reported .....	\$ 817	\$ 533	1,432	\$ 1,009
Net gain (loss) on derivative transactions	5	(44)	(6)	(44)
	-----	-----	-----	-----
Total comprehensive income .....	\$ 822	\$ 489	\$ 1,426	\$ 965
	=====	=====	=====	=====

NOTE 8 -- LITIGATION:

From time to time, we are party to legal proceedings in the ordinary course of business. As of June 30, 2007, none of these proceedings is expected to have a material adverse effect on our financial position, results of operations or cash flows.

NOTE 9 -- RECENT ACCOUNTING STANDARDS:

SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for

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Financial Assets and Financial Liabilities." This Statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and

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

liabilities. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and will become effective for us beginning with the first quarter of 2008. We do not believe the adoption of SFAS No. 159 will have a material impact on our financial statements.

SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans

In September 2006, the FASB issued SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." SFAS 158 requires companies to recognize the over-funded and under-funded status of defined benefit pension and other postretirement plans as assets or liabilities on their balance sheets and to recognize changes in that funded status, in the year in which changes occur, through other comprehensive income in shareholders' equity. The adoption of this statement will have no impact on our financial statements.

SFAS No. 157, Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and will become effective for us beginning with the first quarter of 2008. We do not believe the adoption of SFAS No. 159 will have a material impact on our financial statements.

FASB Interpretation No. 48

In February 2007, the SEC staff clarified its views related to changes in the classification of interest and penalties for periods prior to the adoption of FIN 48. Specifically, the SEC staff believes that if a registrant changes how it classifies interest and penalties upon adoption of FIN 48, it should not reclassify amounts in prior periods. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation was adopted by us effective January 1, 2007. The adoption of this interpretation did not have a material impact on our financial statements.

NOTE 10 - SUBSEQUENT EVENTS:

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On August 8, 2007, we purchased the outstanding stock of Vein Clinics of America, Inc. (VCA) for a purchase price of \$28 million, consisting of \$24 million in cash and \$4 million in IntegraMed common stock. The purchase price is subject to adjustment, as well as additional earn-out payments, all as set forth in the stock purchase agreement. Sources of the cash portion of the purchase price include: (a) cash on hand at the Company, and (b) borrowings by the Company under a new five-year term loan from Bank of America described below.

Concurrent with the closing of the acquisition, we entered into a second amended and restated loan agreement with Bank of America comprising of a five-year \$35 million credit facility composed of: (a) a term loan of \$25 million fully used to finance the purchase of VCA and related transaction costs, and (b) a \$10 million revolving credit loan (which is unused and fully available).

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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 report and with IntegraMed America Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006.

#### Forward Looking Statements

This Form 10-Q and discussions and/or announcements made by or on behalf of us, contain certain forward-looking statements regarding events and/or anticipated results within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the attainment of which involves various risks and uncertainties. Forward-looking statements may be identified by the use of forward-looking terminology such as, "may", "will", "expect", "believe", "estimate", "anticipate", "continue", or similar terms, variations of those terms or the negative of those terms. Our actual results may differ materially from those described in these forward-looking statements due to the following factors: our ability to acquire additional Partner agreements, our ability to raise additional debt and/or equity capital to finance future growth, the loss of significant Partner agreement(s), the profitability or lack thereof at fertility centers serviced by us, increases in overhead due to expansion, the exclusion of fertility and Assisted Reproductive Technology (ART) services from insurance coverage, government laws and regulation regarding health care, changes in managed care contracting, the timely development of and acceptance of new fertility, and ART and/or genetic technologies and techniques. We are under no obligation (and expressly disclaim any such obligation) to update or alter any forward-looking statements whether as a result of new information, future events or otherwise.

#### Business Overview

IntegraMed America, Inc. offers products and services to patients and providers in the fertility medical sector. As of June 30, 2007, our business comprised of:

- o A Network of twenty-nine contracted fertility centers in major markets across the United States;
- o Products and services designed to support fertility center growth;

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- o Products and services in the pharmaceutical and patient financing areas; and
- o Captive insurance offerings.

Twenty-one Affiliate fertility centers subscribe to discrete service packages provided by us and have the right to distribute our Consumer products. Eight fertility centers have access to our entire portfolio of products and services under our comprehensive Partner program. All twenty-nine centers have access to our Consumer services, principally the Shared Risk Refund program, as well as pharmaceutical offerings and patient financing products.

The primary elements of our Company strategy include:

- o Expanding our network of fertility centers into new major markets;
- o Increasing the number and value of service packages purchased by Affiliates in our network;
- o Entering into additional Partner contracts with Affiliated and non-Affiliated fertility centers;
- o Increasing revenues and profits at contracted fertility centers; and
- o Increasing sales of Shared Risk Refund, pharmaceutical and treatment financing products to fertility patients.

The business strategy of our Provider Services segment is to leverage our deep expertise and commitment to improved fertility center performance by providing the best value-specific offerings designed to manage and grow the center within the context of a long-term relationship. The business strategy of our Consumer Segment is to provide products and services that make obtaining high quality fertility treatment easier and more affordable for patients.

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Major events impacting financial condition and results of operations

2007

On March 19, 2007, we declared a 25% stock split effected in the form of a stock dividend for all holders of record as of April 13, 2007. As a result of this dividend, 1,628,907 new shares of common stock were issued on the payment date of May 4, 2007. No fractional shares were issued as all fractional amounts were rounded up to the next whole share. All weighted average shares outstanding and earnings per share calculations in this filing have been restated to reflect this stock split.

2006

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

During October 2006, we provided notification that our financial statements for 2005 and the first two quarters of 2006 could not be relied on, and were restated due to an accounting error. The restatements did not result in any changes to net income or earnings per share for any period, but affected our

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intangible assets, deferred tax assets and deferred tax liabilities, all non-cash items. All periods affected by this error have been restated throughout this document as appropriate.

### Results of Operations

The following table shows the percentage of net revenue represented by various expenses and other income items reflected in our statement of operations for the three- and six-month periods ended June 30, 2007 and 2006:

	For the three-month period ended June 30,		F six-mo ended
	2007	2006	2007
Revenues, net:			
Provider services.....	88.3%	91.0%	89.6%
Consumer services.....	11.7%	9.0%	10.4%
Total revenues.....	100.0%	100.0%	100.0%
Costs of services incurred:			
Provider services .....	78.8%	82.5%	80.2%
Consumer services.....	8.0%	5.7%	7.3%
Total costs of service.....	86.8%	88.2%	87.5%
Contribution:			
Provider services.....	9.5%	8.5%	9.4%
Consumer services.....	3.7%	3.3%	3.1%
Total contribution.....	13.2%	11.8%	12.5%
General and administrative expenses.....	10.1%	9.3%	9.9%
Interest income.....	(1.0)%	(0.8)%	(1.0)%
Interest expense.....	0.5%	0.6%	0.4%
Total other expenses.....	9.6%	9.1%	9.3%
Income from operations before income taxes....	3.6%	2.7%	3.2%
Income tax provision.....	1.2%	1.0%	1.0%
Net income .....	2.4%	1.7%	2.2%

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### Revenues

#### Provider Services Segment

In providing clinical care to patients, each of our Partner practices generates patient revenue which we do not report in our financial statements. Although we do not consolidate the physician practice financials with our own, these financials do directly affect our revenues.

The components of our revenue from each of the Partner practices are:

- (i) A Base Service fee calculated as a percentage of patient revenue as

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- reported by the Partner practice (percentage varies from 6% down to 3% depending on the level of patient revenues);
- (ii) Cost of Services equal to reimbursement for the expenses which we advanced to the Partner practice during the month (representing substantially all of the expenses incurred by the practice); and
  - (iii) Our Additional fees which represent our share of the net income of the Partner practice (which varies from 10% to 20% or a fixed amount depending on the Partner practice).

From the total of our revenues, we subtract the annual amortization of our Business Service Rights, which are the rights to provide Business Services to each of the Partner practices.

In addition to revenues generated from Partner practices, we receive:

- (i) Fees from Affiliate practices for marketing and other services, and
- (ii) Miscellaneous revenues related to providing services to medical practices.

Provider Services revenues in the second quarter of 2007 increased by \$1.1 million or 3.8% from the same period in 2006. For the six months, Provider Services revenues increased by \$2.7 million or 4.8% from the same period last year. This growth is attributed to increased patient revenues driven by effective marketing programs, and higher Partner practice contribution margins resulting from an increased focus on expense management and operational efficiencies.

The table below illustrates the components of Provider Services revenues in relation to the physician practice financials for the second quarter and the first six months of 2007 compared to 2006:

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	Three Months Ending June 30,		Six Months Ending June 30,	
	2007	2006	2007	2006
<b>Physician Financials</b>				
(a) Patient revenue	\$41,666	\$38,614	\$80,528	\$75,000
(b) Cost of services	26,782	26,206	53,167	51,000
(c) Base service fee	1,924	1,799	3,753	3,000
(d) Practice contribution (a-b-c)	12,960	10,609	23,608	20,000
(e) Physician compensation	11,677	9,595	21,149	18,000
(f) IntegraMed additional fee	1,306	1,014	2,482	2,000
<b>IntegraMed Financials</b>				
(g) IntegraMed gross revenue (b+c+f)	30,012	29,019	59,402	56,000
(h) Amortization of Business Service Rights	(321)	(374)	(693)	(600)
(i) Affiliate revenue	321	308	638	600
(j) Other revenue	37	3	111	100
(k) IntegraMed provider services revenue (g+h+i+j)	\$30,049	\$28,956	\$59,458	\$56,000



## Consumer Services Segment

Revenues from our Shared Risk Refund program represent over 98% of our Consumer Services Segment revenues. Patients enrolled in the Shared Risk Refund program pay us an upfront fee (deposit) in return for up to six ART treatments (3 fresh embryo; 3 frozen embryo). The non-refundable portion of the fee is recognized as revenue at the completion of the first treatment. The remainder is recognized or refunded at the time of a treatment outcome (clinical pregnancy) or issued as a refund if treatment fails. The two main factors that impact Shared Risk revenue (and contribution) are:

- (i) Number of patients enrolled and receiving treatment
- (ii) IVF cycle outcomes (pregnancy success rates).

In the first six months of 2007, the Shared Risk Refund program continued to experience significant growth, with three-month and six-month revenues as of June 30, 2007 rising \$1.2 million (or 42%) and \$1.6 million (or 30%) respectively over the same periods in the prior year. This growth is primarily due to increased patient enrollments into the program (24% increase for the second quarter of 2007 over the second quarter of 2006, and 39% for the first half 2007 over the first half 2006). The higher patient enrollments are a direct result of an increased adoption of the program within the physician practices in our network. Average success rates (in-vitro fertilization cycle pregnancy outcomes) in the program during 2007 have not changed significantly from 2006.

Pharmaceutical revenue was \$34,000 for the three months ended June 30, 2007, compared to \$98,000 during the same prior last year. First half revenue was \$89,000 compared to \$254,000 in the same period last year. This decline is a result of decreasing margins due to pharmaceutical cost increases which are not able to be passed on to the consumer as a result of competitive pressures.

## Contribution

Our 2007 second quarter contribution of \$4.5 million increased 20% from the second quarter of 2006. As a percentage of reported revenue, our contribution margin increased to 13.2% in the second quarter of 2007 versus 11.8% in 2006. Our six month contribution of \$8.3 million increased approximately 11% from the same period last year. As a percentage of reported revenue, our contribution margin increased to 12.5% during the first six months of 2007 versus 12.1% during the same period in 2006.

## Provider Services Segment

Provider Services Contribution in the second quarter of 2007 increased by approximately \$527,000, or 19.4% from the same period in the prior year. During the first six months, Provider Services Contribution increased by approximately \$781,000, or 14.3% from the same period in 2006. This increase is primarily attributable to the continued revenue and margin growth of our Partner practices.

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### Consumer Services Segment

Contribution from our Shared Risk Refund program grew by 39.1% in the second quarter of 2007 compared to last year and 14.4% in the first six months compared to last year. Again, the increased contribution can be primarily attributed to higher penetration of the program in our fertility centers resulting in more patient enrollments. It should be noted that contribution is also impacted by fees to the physicians performing the IVF treatments, which are paid regardless of treatment outcomes.

Pharmaceutical contribution was \$44,000 in the second quarter of 2007, was down \$130,000 from the \$174,000 contribution reported in the second quarter of 2006. This decrease in contribution was driven by manufacturer price increases that were not able to be passed on to the consumer.

### General and Administrative Expenses

General and Administrative (G&A) expenses are comprised of salaries and benefits, administrative, regulatory compliance, and operational support costs which are not specifically related to individual clinical operations or other product offerings. These costs were approximately 76.9% of contribution in the second quarter, compared to 78.6% during the same period last year. For the first six months of 2007, G&A expenses were 79.1% of contribution, compared to 79.9% for the same period last year. The Company continues to actively manage G&A expenses in an effort to drive economies of scale from growth in total contribution.

### Interest

In the second quarter of 2007, interest income increased by 38%, or \$99,000, compared to the same period in 2006. For the first six months of 2007, interest income increased by 44%, or \$213,000, compared to the same period in 2006. This increase in interest earnings is primarily attributed to higher cash balances invested in 2007.

In the second quarter of 2007, interest expense decreased by 21%, or \$41,000, from the same period in 2006. For the first six months of 2007, interest expense decreased by 23%, or \$81,000, from the same period in 2006. This decrease in interest charges is primarily a result of our lower debt levels outstanding.

### Income tax provision

Our provision for income tax was approximately \$0.7 million in the first six months of 2007, or 33.5% of pre-tax income, compared to \$0.6 million, or 38.3% of pre-tax income during the same period last year. For the second quarter of 2007, the income tax provision was approximately \$0.4 million, or 34.0% of pre-tax income, compared to \$0.3 million, or 38.3% of pre-tax income in the second quarter of 2006. Our effective tax rates for both 2007 and 2006 reflect provisions for both current and deferred federal and state income taxes. The lower effective tax rate in 2007 is mainly due to an increase in tax-exempt interest income projected for the year.

The FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109." This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on

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derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The interpretation was adopted by us effective January 1, 2007. The adoption of this interpretation did not have a material impact on our financial statements.

### Off-balance Sheet Arrangements

FASB Interpretation No. 46 (FIN 46R) "Consolidation of Variable Interest Entities" ("VIE's") addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or VIE's, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of June 30, 2007, we do not have an interest in any VIE's where we are the primary beneficiary, therefore the adoption of FIN 46 had no impact on our financial statements.

### Liquidity and Capital Resources

As of June 30, 2007, we had approximately \$36.3 million in cash and cash equivalents on hand as compared to \$32.2 million at December 31, 2006. Additionally, we had working capital of approximately \$13.2 million, at June 30, 2007, an increase of \$0.9 million from working capital of \$12.3 million as of December 31, 2006. Our increased working capital is largely attributed to cash flows generated from operating activities.

Shared Risk Refund patient deposits, which are reflected as a current liability, represent funds received from patients in advance of treatment cycles and are an indication of future Shared Risk revenues. These deposits totaled approximately \$8.5 million and \$6.5 million as of June 30, 2007 and December 31, 2006, respectively. These deposits are a significant source of cash flow and represent interest-free financing for us.

As of June 30, 2007, we did not have any significant contractual commitments for the acquisition of fixed assets or construction of leasehold improvements. However, we anticipate upcoming capital expenditures of approximately \$2.3 million for the remainder of 2007. These expenditures are primarily related to medical equipment, information system infrastructure and leasehold improvements. We believe that working capital, specifically cash and cash equivalents, remain at adequate levels to fund our operations and our commitments for fixed asset acquisitions. We also believe that the cash flows from our operations plus our available credit facility will be sufficient to provide for our future liquidity needs over the next twelve months.

In December 2005, we amended our existing credit facility with Bank of America. The amended facility is comprised of a \$10 million three-year revolving line of credit and a \$10 million 5-year term loan. As of June 30, 2007, approximately \$8.0 million of the term loan was outstanding with a remaining term of 3.5 years, with no balance outstanding under the revolving line of credit.

Each component of our amended credit facility bears interest by reference to Bank of America's prime rate or LIBOR, at our option, plus a margin, which is dependent upon a leverage test, ranging from 1.75% to 2.50% in the case of LIBOR-based loans. Prime-based loans are made at Bank of America's prime rate and do not contain an additional margin. Interest on the prime-based loans is payable monthly and interest on LIBOR-based loans is payable on the last day of each applicable interest period. As of June 30, 2007, interest on the term loan was payable at a rate of approximately 7.07%. Unused amounts under the working

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capital revolver bear a commitment fee of 0.25% and are payable quarterly.

Availability of borrowings under the working capital revolver is based on eligible accounts receivable, as defined in the credit agreement. As of June 30, 2007 under the revolving line of credit the full amount of \$10.0 million was available, of which none was outstanding.

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

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Our Bank of America credit facility is collateralized by substantially all of our assets. As of June 30, 2007, we were in full compliance with all applicable debt covenants. We also continuously review our credit agreements and may renew, revise or enter into new agreements from time to time as deemed necessary.

### Significant Contractual Obligations and Other Commercial Commitments

The following summarizes our contractual obligations and other commercial commitments at June 30, 2007, 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.....	\$ 7,982,000	\$1,430,000	\$ 6,552,000	\$ --
Capital lease obligations.....	38,000	38,000	--	--
Operating leases.....	48,098,000	7,089,000	12,546,000	9,501,000
Total contractual cash obligations.....	\$56,118,000	\$8,557,000	\$19,098,000	\$9,501,000
	=====	=====	=====	=====
	Amount of Commitment and Expiration Per Period			
	Total	Less than 1 year	1 - 3 years	4 - 5 years
	-----	-----	-----	-----
Unused lines of credit.....	\$10,000,000	\$ --	\$10,000,000	\$ --
	=====	=====	=====	=====

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

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

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- (ii) We reduce the cash credit for clinic expenses that we have incurred on behalf of the practice;
- (iii) We reduce the cash credit for the base portion of our Service Fee which relates to the Partner revenues;
- (iv) We reduce the cash credit for the variable portion of our Service Fee which relates to the Partner earnings; and
- (v) We disburse to the medical practice the remaining cash amount which represents the physician's undistributed earnings.

We are also responsible for the collection of the Partner accounts receivables, which we finance with full recourse. We continuously fund these needs from our cash flow from operations, the collection of prior months' receivables and deposits from patients in advance of treatment. If delays in repayment are incurred, which have not as yet been encountered, we could draw on our existing working capital line of credit. We also make payments on behalf of the Partner for which we are reimbursed in the short-term. Other than these payments, as a general course, we do not make other advances to the medical practice. We have no other funding commitments to the Partner.

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### New Accounting Pronouncements

#### SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." This Statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and will become effective for us beginning with the first quarter of 2008. We do not believe the adoption of SFAS No. 159 will have a material impact on our financial statements.

#### SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans

In September 2006, the FASB issued SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." SFAS 158 requires companies to recognize the over-funded and under-funded status of defined benefit pension and other postretirement plans as assets or liabilities on their balance sheets and to recognize changes in that funded status, in the year in which changes occur, through other comprehensive income in shareholders' equity. The adoption of this statement will have no impact on our financial statements.

#### SFAS No. 157, Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for measuring fair value,

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and expands disclosures about fair value measurements. The Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and will become effective for us beginning with the first quarter of 2008. We do not believe the adoption of SFAS No. 159 will have a material impact on our financial statements.

FASB Interpretation No. 48

In February 2007, the SEC staff clarified its views related to changes in the classification of interest and penalties for periods prior to the adoption of FIN 48. Specifically, the SEC staff believes that if a registrant changes how it classifies interest and penalties upon adoption of FIN 48, it should not reclassify amounts in prior periods. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation was adopted by us effective January 1, 2007. The adoption of this interpretation did not have a material impact on our financial statements.

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### Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, our interest income and expense items are sensitive to changes in the general level of interest rates. During the second quarter of 2006 we entered into a derivative transaction designed to hedge our variable rate term loan. As a result of this derivative transaction we have successfully shielded ourselves from interest rate risks associated with our term loan. We are currently subject to interest rate risks associated with our short term investments and certain advances to our FertilityPartner clinics, both of which are tied to either short term interest rates or the prime rate. As of June 30, 2007, a one percent change in interest rates would impact our pre-tax income by approximately \$303,000 annually.

### Item 4. Controls and Procedures

#### (a) Evaluation of disclosure controls and procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 under the Exchange Act) as of June 30, 2007 (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.

Section 404 of the Sarbanes-Oxley Act requires us to provide an assessment of the effectiveness of our internal control over financial reporting as of the end of fiscal year 2007. We are in the process of performing the system and process documentation, evaluation and testing necessary to make this assessment. We have not completed this process or its assessment. In the process of evaluation and testing, we may identify deficiencies that will require remediation.

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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.

From time to time, we are party to legal proceedings in the ordinary course of business. As of June 30, 2007, none of these proceedings is expected to have a material adverse effect on our financial position, results of operations or cash flow.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

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

At an Annual Stockholders Meeting held on May 15, 2007, the following matters were acted upon by the Stockholders with the indicated votes thereon:

Proposal 1 -- Election of Directors

Director	Votes For	Votes Withheld
Gerardo Canet	5,345,189	50,246
Jay Higham	5,358,112	37,503
Sarason D. Liebler	5,356,754	38,861
Wayne R. Moon	5,091,406	304,209
Lawrence J. Stuesser	5,093,683	301,932
Elizabeth E. Tallett	5,080,521	315,094
Yvonne Thornton, M.D.	5,091,560	304,055

Proposal 2 - Approval and Ratification of Company's 2007 Long-Term Incentive Compensation Plan

For	Against	Abstentions	Broker Non-Votes
---	-----	-----	-----
2,352,182	338,730	5,454	2,699,249

Item 5. Other Information.

None.

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Item 6. Exhibits.

See Index to Exhibits on Page 23.

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SIGNATURES

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

INTEGRAMED AMERICA, INC.  
(Registrant)

Date: August 10, 2007

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

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

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INDEX TO EXHIBITS

Exhibit Number	Exhibit
31.1 --	CEO Certification Pursuant to 18 U.S.C. ss. 1350 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated August 10, 2007.
31.2 --	CFO Certification Pursuant to 18 U.S.C. ss. 1350 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated August 10, 2007.
32.1 --	CEO Certification Pursuant to 18 U.S.C. ss. 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated August 10, 2007.



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32.2 -- CFO Certification Pursuant to 18 U.S.C. ss. 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated August 10, 2007.