INTEGRAMED AMERICA INC
Form 10-K/A
December 14, 2009

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

FORM 10-K/A
Amendment No. 2

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 0-20260

INTEGRAMED AMERICA, INC.
(Exact name of registrant as specified in its charter)

Delaware	06-1150326
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Two Manhattanville Road Purchase, New York	10577
(Address of principal executive offices)	(Zip Code)

(914) 253-8000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, $.01 par value	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes _____ No __X__

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes _____No __X__

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 ___ X___ No ____

Indicate by check mark if disclosure of delinquent filer pursuant to Item 405 of Regulation S-K (17 CFR 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer" "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ______ Accelerated Filer __ X __
Non-Accelerated Filer ______ (Do not check if a smaller reporting company)
Smaller Reporting Company _____ .

9Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.
Yes ____ No __X__

Aggregate market value of voting stock (Common Stock, $.01 par value) held by non-affiliates of the Registrant was approximately $61.9 million on June 30, 2008 based on the closing sales price of the Common Stock on such date.

The aggregate number of shares of the Registrant's Common Stock, $.01 par value, outstanding was approximately 8,760,300 on March 17, 2009.

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EXPLANATORY NOTE

IntegraMed America, Inc. ("we" or the "Company") is filing this Amendment No. 2 on Form 10-K/A (the "Amendment") to amend its Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission on March 31, 2009 (the "Original Filing"), as amended by Amendment No. 1 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on June 5, 2009. The Amendment amends "Item 1- segment information, and significant service contracts", Item 6- Selected Finanacial Data", "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," "Item 8. Financial Statements and Supplementary Data", "Item 9A. Controls and Procedures" and the Consolidated Financial Statements and notes thereto, as well as the Report of Independent Registered Public Accounting Firm. In addition, new certifications are filed as exhibits to the Amendment. However, the Amendment sets forth the Form 10-K in its entirety. The Amendment is filed in response to our discovery of an error in the calculation of revenue recognition for our Attain IVF Refund Program which is a component of our Consumer Services Division, more fully explained as follows: Most patients who enroll in the Attain IVF Refund Program are entitled to a maximum of six treatments (three fresh In Vitro Fertilization cycles and three frozen embryo transfers). The patient is entitled to a 70% refund in the event that they drop out or are terminated from the program by us after the first treatment or are unsuccessful after all treatments. Following a review of our revenue recognition policy in March 2009, as disclosed in our Current Report on Form 8-K dated March 28, 2009, we determined to use a proportional method for revenue recognition for the non-refundable portion of the patient's fee. We recognize the 30% portion in proportion to the fair value of each treatment the patient received rather than all at once after the first treatment.

The change in revenue recognition policy required that we apply this new accounting treatment historically to all patients who had ever enrolled in the Attain IVF Refund Program.

Our original calculation omitted any adjustment for the revenue to be recognized for withdrawals prior to the completion of all six cycles, which requires us to restate our financial results for the years ended December 31, 2006, 2007 and 2008.

The change in the timing related to revenue recognition had the following effects:

	2008	2007	2006
Revenue as reported	$ 197,403	$ 151,166	$ 125,818
Net Change in reported revenue	750	656	502
Revenue as restated	$ 198,153	$ 151,822	$ 126,320
Income before income taxes as reported	$ 5,715	$ 4,062	$ 3,047
Net change in reported revenue	750	656	502
Net change in reserve for medical costs	(13)	(12)	(9)
Income before income taxes as restated	$ 6,452	$ 4,706	$ 3,540
Income tax provision as reported	$ 2,227	$ 1,391	$ 263
Net change in income taxes from above adjustments	310	271	207
Income tax provision as restated	$ 2,537	$ 1,662	$ 470
Net income as reported	$ 3,488	$ 2,671	$ 2,784
Summary of above adjustments	427	373	286
Net income as restated	$ 3,915	$ 3,044	$ 3,070
Diluted earnings per share as reported	$ 0.40	$ 0.32	$ 0.34
Change in earnings per share from above adjustments	0.05	0.04	0.03
Diluted earnings per share as restated	$ 0.45	$ 0.36	$ 0.37
Current liabilities as reported	$ 51,126	$ 44,005	$ 27,856
Cumulative effect of restatement on liabilities	(1,513)	(1,086)	(712)
Current liabilities as restated	$ 49,613	$ 42,919	$ 27,144
Shareholders' Equity as reported	$ 50,753	$ 46,549	$ 39,466
Cumulative effect of restatement on Shareholders' Equity	1,511	1,085	712
Shareholders' Equity as restated	$ 52,264	$ 47,634	$ 40,178

The Amendment does not reflect events occurring after the filing of the Original Filing and unless otherwise stated herein, the information contained in the Amendment is current only as of the time of the Original Filing. Except as described above, no other changes have been made to the Original Filing. Accordingly, the Amendment should be read in conjunction with the Company's filings made with the Securities and Exchange Commission subsequent to the filing of the Original Filing, including the Company's definitive proxy statement filed on April 15, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

See Part III hereof with respect to incorporation by reference from the Registrant's definitive proxy statement for the fiscal year ended December 31, 2008 to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 and the Exhibit Index hereto.

PART I

ITEM 1. Business

Overview -

IntegraMed America is a specialty healthcare services company that was incorporated in Delaware on June 4, 1985 and celebrated its sixteenth year as a publicly traded company in 2008. The Company is the leading operator of fertility centers and vein clinics in the United States and provides treatment financing programs for patients of these treatment facilities whose insurance does not cover the particular procedure. The Company is organized into three operating divisions and a Corporate office that provides shared support services.

The Fertility Centers Division provides business and management services to a network comprised of 11 contracted fertility centers in our Partner program, located in 13 major markets across the United States. These 11 contracted centers are among the largest fertility clinics in the United States accounting for approximately 15% of total U.S. IVF procedures performed. This division does not provide nor is it responsible to provide direct or indirect medical services or treatments to patients. The division's business model is designed to offer contracted products and services to independent medical providers which are intended to support their fertility center's operations and growth. All fertility Partners also have full access to our Consumer Services offerings (described below). The division also supports a Council of Physicians and Scientists, for leading fertility providers as well as a captive insurance company (ARTIC - Assisted Reproductive Technology Insurance Company) which provides malpractice insurance to affiliated fertility practices and their physicians.

The Consumer Services Division offers services directly to fertility patients. This division is not in itself a provider of direct or indirect medical services to patients, however, in its Attain IVF program, it is responsible for the provision of treatment to patients which it subcontracts to affiliated fertility clinics. This division maintains a contracted network of 22 independent medical providers under its Affiliate program which are designed to distribute the division's products and services to a wider group of patients than those serviced by our Partner fertility centers. These 22 contracted fertility centers are also among the largest tier of clinics in the U.S. collectively providing an additional 8% of total U.S. IVF procedures.

In late 2008, the Consumer Services division re-launched its successful Shared Risk Refund program under the name "Attain IVF". This re-branding was done to reflect advantages offered by the program beyond its basic risk sharing features and to position the program in a leadership role among smaller, similar programs offered by other providers. As described in more detail below, Attain IVF is an offer of packaged pricing for a set of treatments with a potential for a refund.

Our Vein Clinics Division, which was formed on August 8, 2007, with the purchase of Vein Clinics of America, Inc., provides business and management services to a network of 32 clinics located in 12 states. These clinics provide specialized treatment for patients suffering from vein diseases and disorders. This division is not in itself a provider of direct or indirect medical services or treatments to patients. The division's business model is designed to offer services and support to contracted medical practices which provide medical treatment to patients. The Vein Clinics Division provides business and management services to our network of vein treatment clinics and is not responsible for the provision of medical care. However, since we are the primary beneficiary and obligor of their operations, we consolidate the clinics and include patient revenue and related expenses in our financial statements.

The Shared Services group within the corporate office assists the fertility centers, consumer services and vein clinic divisions with administrative services such as finance, accounting, human resources, legal and purchasing support; access to capital for financing clinic operations and expansion; traditional marketing and sales support; internet marketing and website support and integrated information systems.

We evaluate whether we should report the results of our clinical operations in which we have management services contracts in accordance with FASB Interpretation No. 46 (FIN 46R) "Consolidation of Variable Interest Entities" ("VIE's"). Among other factors, we evaluate whether we are the primary obligor or beneficiary of the results of operations of the clinics. Since we do not have a controlling financial interest in any of the fertility medical practices to which we provide services, we do not consolidate their results. We do have a controlling financial interest in the operations of each of the vein clinics and therefore consolidate the results of those clinic operations. Accordingly, we report the revenue for patient services only from the vein clinic segment pursuant to the requirements of FIN 46R.

We also maintain a website at www.integramed.com to provide information to the general public and our shareholders on our products, resources and services, along with general information on IntegraMed and its management, financial results and press releases. Copies of our most recent Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q or our other reports filed with the Securities and Exchange Commission, or SEC, can be obtained, free of charge as soon as reasonably practicable after such material is electronically filed with, or furnished to the SEC, from our Investor Relations Department by calling 914-253-8000, by an e-mail request from our Investor Information web page at www.integramed.com, or through the SEC's website by clicking the direct link from our website at www.integramed.com or directly from the SEC's website at www.sec.gov. You may also read and copy any materials we filed with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. Our website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K.

Our Industries of Focus --

Reproductive Medicine

Reproductive medicine encompasses the medical discipline that focuses on male and female reproductive systems and processes. There are many reasons why couples have difficulty conceiving, and accurate identification of a specific cause of infertility can be time consuming, expensive and requires access to specialized diagnostic and treatment services. Reproductive endocrinologists are specialized physicians who perform these more sophisticated medical and surgical fertility diagnoses and treatments. Reproductive endocrinologists generally have completed a minimum of four years of residency training in obstetrics and gynecology and have at least two years of additional training in an approved subspecialty fellowship program. The fertility services market is highly fragmented among providers in each major local market as well as on a national basis.

Conventional fertility services include diagnostic tests performed on both the female and male. Depending on the results of the diagnostic tests performed, treatment options may include, among others, fertility drug therapy, artificial insemination and fertility surgeries to correct anatomical problems. According to recent industry estimates, approximately 10% of women of reproductive age, or more than 6 million women, have an infertility-related medical appointment annually. Procedures that require gametes (sperm and eggs) to be handled in vitro (outside the body) are classified as Assisted Reproductive Technology, or "ART", services. Current types of ART services include in vitro fertilization, or IVF, frozen embryo transfers, donor egg programs as well as other more specialized treatments. IVF represents the most frequently employed form of ART with current techniques used in connection with IVF services including intracytoplasmic sperm injection, or ICSI, assisted hatching, cryopreservation of embryos, pre-implantation genetic diagnosis (PGD), and blastocyst culture and transfer.

According to publications from the Harvard Business School Press, the annual expenditures relating to fertility services are approximately $3 billion.

While demand for advanced reproductive medicine and treatment is highly correlated with larger demographic trends, we believe the market will continue to grow in the future for the following reasons:

- The quality of treatment is improving, increasing pregnancy success rates;
- Improvements in embryo culture media and implantation rates are leading to the capability of reducing high order multiple pregnancies - one of the greatest risk factors in this industry;
- With improving pregnancy rates, the cost of treatment is decreasing thereby making these services more affordable;
- Public policy initiatives including legislative mandates for insurance coverage are producing a more favorable reimbursement climate; and
- Demand for reproductive medical services is increasing through greater public awareness and acceptance of these treatments.

While overall market growth has moderated recently, in line with a demographic trough of couples of family bearing age, we are well positioned to benefit from an industry in the early stages of consolidation. IntegraMed's fertility centers have experienced faster growth than their competitors due to economies of scale and the ability to leverage our infrastructure. Recently, numerous market conditions in this industry produce business opportunities for us, including:

- The high level of specialized skills and technology required for comprehensive patient treatment;
- The capital-intensive nature of acquiring and maintaining state-of-the-art medical equipment, laboratory and clinical facilities;
- The need to develop and maintain specialized management information systems to meet the increasing demands of technological advances, patient monitoring and third-party payers;
- The high cost of treatment with inadequate insurance benefits in most markets;
- The need for seven-days-a-week service to respond to patient needs and to optimize the outcomes of patient treatments; and
- Increasing competition among medical providers specializing in fertility treatment and the resulting need for sophisticated marketing efforts;

Overview of our Business Strategy for the Fertility Centers Division

(i) We Plan to Enter into Additional Fertility Partner Contracts

The eleven fertility centers participating in our Partner program are entitled to our full suite of products and services. Recruitment into our Partner program has traditionally been focused on fertility centers currently participating as Affiliates in our provider network. As Affiliates, practices have become familiar with the offerings we provide and our commitment to customer service; also, we have had a chance to assess a practice's commitment to growth and utilization of our services. Partner practices are also recruited from outside the pool of existing Affiliates; to be considered, non-Affiliate candidates need to meet a stringent set of criteria. As of December 31, 2008, we had full Partner contracts with eleven leading fertility centers, in thirteen major markets, which in turn employ and/or contract with individual physicians. In addition, we also pursue in-market mergers with other providers operating within markets serviced by our Partner centers.

When establishing a Partner contract, we typically acquire the assets of a fertility center, enter into a long-term comprehensive business service agreement with the center and assume most administrative and financial functions of the center. In addition, we also typically require that the fertility center enter into long-term employment agreements containing non-compete provisions with all key physicians and that each physician shareholder of the medical practice enter into a personal responsibility agreement with us. Typically, the fertility center contracting with us is a professional corporation in which the key physicians are the shareholders.

Partner contracts provide that all patient medical care is to be provided by the physicians and that we are responsible for providing defined business services to the center. We provide the equipment, facilities and support necessary to operate the center, and employ substantially all non-physician personnel. Under the agreements, we may also advance funds to the fertility center to provide new services, utilize new technologies, fund projects, provide working capital or fund mergers with other physicians or physician groups.

Partner contracts generally obligate us to pay a fixed sum for the exclusive right to service the fertility center. These agreements are typically for terms of 10 to 25 years and may contain early termination clauses coupled with fertility center obligations upon termination. Generally, no shareholder of a contracted fertility center may assign his/her interest in the fertility center without IntegraMed's written consent.

Under all eleven current Partner agreements, we receive as compensation for our services a three-part fee comprised of: (i) a tiered percentage of net revenues generally between 3% and 6%; (ii) reimbursed costs of services (costs incurred in providing services to a fertility center and any costs paid on behalf of the fertility center); and (iii) either a fixed amount or a percentage of the center's earnings, which currently ranges from 10% to 20%, but may be subject to limits.

(ii) We Plan to Increase Revenues and Profits at Contracted Partners

Given our fee structure as described above, we have a significant incentive to assist in the profitable growth of each Partner. To achieve this objective we:

- o Help them formulate and execute longer-term planning activities, such as investment/development via facility build-out and in-market mergers with other practices and planning and budgeting support;
- o Put in place products and services that help them attract and retain patients, including the offerings included in our Affiliate program - e.g., access to the Attain IVF Program, internet marketing, patient financing, etc., - along with proven field sales programs and direct-to-consumer advertising capabilities and resources;
- o Enable them to enhance their ability to provide superior care via usage of our ARTworks Clinical application which provides electronic medical record, workflow management and decision support functionality, along with clinical risk management auditing services;
- o Enhance their operating efficiency through the implementation of an infrastructure focused on improved accounts receivables management along with business continuity and other financial, IT, human resource, legal and procurement support that leverages our economies of scale and expertise in these areas.

(iii) We Plan to Grow Current Ancillary Services for the Fertility Centers

Thirteen years ago we established the Council of Physicians and Scientists, or the Council, comprised mostly of representatives from our fertility network, to bring together leaders in reproductive medicine and embryology with the goal of promoting a high quality clinical environment throughout the network. The Council meets regularly and conducts bi-monthly teleconferences on topics related to improving infertility diagnosis, treatment and success rates.

We assisted in the organization of, and obtained a minority equity interest in, an offshore captive insurance company designed to moderate the cost of malpractice insurance to members of our network. The majority of the equity of the captive insurance company is owned by various physician practices which are members of our network. On January 1, 2005, this captive insurance company began providing the majority of the malpractice insurance coverage to physicians within our reproductive Partner network.

Overview of our Business Strategy for the Consumer Services Division

(i) We Plan to Expand our Network of Affiliated Fertility Centers

Our strategic plan calls for us to expand our provider network to establish a presence in other major markets across the country. We primarily focus our network development activities on major metropolitan markets with populations in excess of 500,000. Because of the relatively low percentage of the population that seeks fertility treatment, a large population base is required to support a sophisticated fertility center. Our high quality fertility centers are capable of drawing consumers from a large geographic catchment area. Expanding our provider network to the 100 largest metropolitan markets in the United States will allow us to cover a large percentage of the national population, since approximately 90% of fertility services performed in the U.S. occur in these top 100 markets.

The entry point for fertility centers participating in our provider network is usually as an Affiliate center. Included in this level of participation is access to our Attain IVF Program, patient financing programs and marketing support activities.

While the primary value proposition of the Affiliate offerings is to help practices improve their ability to attract and retain patients, the offerings can also be used to improve operational efficiency and support the provision of superior care. We provide access to these programs on an exclusive basis in each defined market area to the Affiliated clinic.

(ii) We Plan to Increase Penetration of our Attain IVF Program

Currently, many health plan sponsors provide limited coverage for the diagnosis and treatment of infertility. Because patients seeking fertility treatment often have other gynecological symptoms, health plans may cover diagnostic expenses even when infertility treatment itself is not a covered benefit. As we continuously seek to increase the number of patients being treated by our provider clinics, our Attain IVF program, which is offered directly to consumers, has been designed to offer attractive financial options to prospective patients.

The division's Attain IVF program serves as a patient recruitment and case management vehicle where the patient contracts with us to provide the medical treatment described below. We contract the obligation of patient treatment by arranging with affiliated fertility clinics for the provision of patient care. This program is designed to make the treatment process easier for patients by providing a continuum of care over an extended period, if necessary. The Attain IVF program achieves this objective by offering the following services:

- Patient recruitment via internet web portals and search engines; in-clinic educational materials; in-clinic contact with fertility experts and on-line contact with patient service specialists.
- Educating patients as to the benefits of various treatment options offered by its network of contracted medical providers which have been tailored to appeal to patients at various stages of their reproductive lives and with various medical conditions.
- Explaining the financial costs and patient responsibilities of the various treatment plans.
- Educating patients as to the various financing options offered by the program and helping to arrange third-party financing of treatment cycles when requested.
- Coordinating an initial medical assessment required for entry into the program.
- Contracting treatment with an Affiliated medical provider for all treatment cycles used by the patient.
- Provide on-going case management, treatment plan monitoring and evaluation services.

Patients enrolling in the Attain IVF program can select from various treatment and financing options which are designed to appeal to patients at different stages of their reproductive lives and with different financial needs and resources. The basic Attain IVF business model is designed to offer patients multiple fertility treatment cycles by contracted fertility centers, for one fixed price paid up front, with a significant refund if treatment is unsuccessful (generally defined as not bringing home a baby after the final treatment is delivered). Under this innovative financial program, we receive payments directly from consumers who qualify for the program and we are obligated to provide them a set of treatment cycles. We discharge this obligation by subcontracting to and paying contracted fertility centers a defined reimbursement for each treatment performed. The benefit to providers is increased patient volume and patient retention, and the benefit to consumers is the opportunity for multiple treatment cycles with a significant financial refund should the treatments be unsuccessful.

We receive payment directly from consumers who qualify for the program. By contract 30% of the enrollment fee is non-refundable (for the non-donor option) and is recognized ratably (on a fair value basis) as revenue over the course of the patient's treatment cycles. If the patient achieves pregnancy prior to the completion of the last available cycle, then the remaining unamortized portion of the non-refundable fee is immediately recognized as income. The remaining 70% of the revenue is recorded upon the patient becoming pregnant and achieving a fetal heartbeat (at this point of the pregnancy most patients go on to deliver a baby). We are able to record this income at the time of pregnancy as we have substantially completed our fertility obligation to the patient and we can accurately estimate the amount of expenses or refunds that will become due if there is a pregnancy loss. We are able to make these estimates for pregnancy loss based upon reliable Company specific data with respect to the large homogeneous population we have served for more than seven years. Expenses prior to pregnancy related to the program are recorded as incurred. All of the amounts shown on the balance sheet in the accompanying financial statements as "Attain IVF deferred revenue and Other Patient Deposits" consist of unrecognized program enrollment/service fees and potentially refundable contract amounts for enrolled patients who have not had a successful pregnancy outcome and deposits received from patients who have not yet commenced treatment under the program.

Due to the characteristics of the program, we assume the risk for a patient's treatment cost in excess of their enrollment fee should initial treatment cycles be unsuccessful. In order to moderate and manage this risk, we have developed a sophisticated statistical model and case management program in which Attain IVF patients are medically pre-approved prior to enrollment in the program. We also continuously review their clinical criteria as they undergo treatment. If, while undergoing treatment, a patient's clinical response falls outside our criteria for participation in the Attain IVF program, we have the right to remove that individual from the program, with an applicable refund to the patient. To date, our case management process has been effective in managing the risks associated with our Attain IVF program within expected limits. A patient may withdraw from the program at anytime and will be issued a refund.

Vein Disease

Phlebology is the medical specialty concerned with the treatment of vein diseases. Common venous diseases and their symptoms can take many forms including;

- Varicose veins - which are caused when small valves designed to allow blood to flow in only one direction fail or leak. This causes blood to flow backwards under the force of gravity and pool inside the vein;
- Spider veins - which are very small varicose veins. They are thin, threadlike veins that lie close to the skin's surface and are

commonly red or purple in appearance. Spider veins can be hormonally induced and are often associated with pregnancy and menstruation;

- Venous Leg Ulcer - non-healing open wounds that are caused by venous pump failure. It usually occurs near the inside of the ankle, but can be found anywhere below the knee. It can occur with or without visible varicose veins;
- Klippel-Trenaunay Syndrome (KT) - which is a rare, congenital disorder in which patients usually have one hypertrophied leg, a port wine stain, and large varicose veins on the lateral aspect of the leg;
- Restless Leg Syndrome (RLS) - which may occur when valves fail, causing blood to reflux, or flow backwards, causing it to pool and stagnate in the veins, leading to aching, throbbing, cramping and fatigue in the legs.

Although there are both surgical as well as non-surgical treatment protocols for vein disease, we specialize in non-surgical care. Conventional vein care treatment under both protocols usually begins with an ultrasound assisted mapping to determine the extent of the disease, generally followed by a surgical or non-surgical treatment protocol. Historically the most common surgical treatment has been a procedure referred to as vein stripping, which is the surgical removal of surface veins, generally done as an outpatient procedure performed while the patient is under general anesthesia. More recent non-surgical treatments include Endovenous Laser Treatment (ELT) and Sclerotherapy. ELT is a quick, minimally invasive laser treatment which involves no hospitalization or complicated surgery. With ELT, a small optical fiber is inserted through a needle into the varicose vein under ultrasound guidance. The laser is activated and, as the optic fiber is removed from the vein, it heats and closes the vein. Once the vein is closed, the blood that was circulating through the vein is naturally rerouted to other healthy veins. Over time, the varicose vein is absorbed by the body. Sclerotherapy (from the Greek "skleros" meaning hard) involves injecting abnormal veins with a solution called a sclerosant. This seals the vein off from the rest of the vein network in the leg, allowing the body to naturally redirect the blood flow to healthy veins. A typical sclerotherapy treatment may last for 15 to 20 minutes and will consist of multiple microinjections.

Various demographic trends are contributing to the growth in demand for vein care, and we believe the market will continue to grow in the future as awareness of non-surgical treatment protocols grows among people with vein disease and additional third party payers recognize the medical necessity of treating vein disease. Our vein clinics specialize in the non-surgical treatment of vein diseases and are the largest single network of vein care providers in the country, allowing operational efficiencies by leveraging resources, knowledge and infrastructure and providing a strong base for new clinic expansion.

Numerous market conditions in this industry produce business opportunities for us, including:

- The level of specialized skills required for comprehensive patient treatment;
- Favorable sociological trends including a growing demographic wave from an aging population;
- The need to develop and maintain specialized management information systems to meet the increasing demands of patient billing and third-party payers;
- The current fragmented nature of the market, which is comprised of numerous smaller, independent providers, allowing the opportunity for market consolidation;
- New laser and medical technology

An Overview of Our Business Strategy for the Vein Clinics Division

Our business strategy is to develop a national network of high quality managed vein clinics. Currently, our vein clinics division is the largest managed network of vein disease treatment centers in the United States with 33 clinics as of February 2009. The primary elements of our business strategy for this division include:

- Developing and maintaining an infrastructure that supports sustained growth;
- Scheduled openings of new vein clinics in targeted markets;
- Attracting and retaining consumers in need of vein treatment;
- Increasing revenues and profitability at existing clinics.

(i) Develop and Maintain an Infrastructure that Supports Sustained Growth

During 2008, we opened five new vein centers for a total of 32 clinics as of the end of that year. In January 2009, we opened one new center in Cincinnati, and anticipate opening at least four additional centers during the balance of 2009. Since our acquisition of Vein Clinics of America (VCA) in August 2007, we have made significant investments in this division's infrastructure which have been designed to support and sustain this level of growth in future years. These investments include:

- Physician Recruiting and Training - The business model for VCA depends on being able to identify, recruit and train new physicians to staff new clinics. We have invested in additional professional personnel as well as other recruiting and training assets to support scaled growth in the future.
- Regional Management - We have established a regional management infrastructure to manage the day to day operations of the expanding VCA clinical network and anticipate continued investment in regional management talent as our clinic base expands.
- Revenue Cycle Management - Over the past several years the market for vein care has undergone a shift from private out of pocket payment by patients to an environment where most treatment is covered by insurance. This shift has caused us to make heavy investments in physician credentialing, working capital, improved billing and collections personnel, systems and procedures. These investments will continue as the business grows.
- New Clinic Development - With our planned roll-out of new clinic openings, we are making investments in personnel and procedures for identifying opportunities and opening new clinics in existing and new markets.
- Marketing and Sales - Historically, due to the overwhelming self pay environment for vein care, most marketing has been based on a consumer advertising model. With the shift to third party reimbursement, as noted above, we are shifting our marketing focus to rely more heavily on physician referral relationships. This shift will require investments in physician marketing assets and personnel.
- Quality Assurance and Risk Management - As our vein clinic network grows in size, we will need to continue to invest in standardized approaches to quality assurance and risk management.

(ii) Open New Vein Clinics in Targeted Markets

We expect to make use of the enhanced infrastructure described above by opening new clinics at a more rapid and sustained pace. Demographic analysis and past experience suggests that the vein clinics business can support one clinic per million population in major metropolitan markets. The new clinic development plan includes:

- o Developing new clinics in markets where we already have existing clinics that have not been fully penetrated to take advantage of existing investments in regional management, managed care contracts, personnel and marketing capabilities.
- o Identifying attractive new markets in states that already have a VCA clinic location to take advantage of regional management, personnel and other infrastructure assets.
- o Identifying attractive markets in new states contiguous to existing markets to leverage off existing regional and clinical management.

(iii) Attract and retain consumers in need of vein treatment

Non-surgical varicose vein treatment, which VCA pioneered, is still a relatively new approach to treatment. As such, success in this business requires us to be able to attract and retain patients to existing and new vein clinic locations. We continue to invest in consumer advertising, internet advertising and physician referral development.

(iv) Increase Revenues and Profitability at Existing Clinics

The Vein Clinics Division long term success will be dependent on ensuring that established clinics increase revenues and profitability. The regional management team is focused on this goal through scheduling efficiencies, patient conversion, yield management and productivity improvements.

Shared Services

We provide the following support for our operating divisions-

(i) Administrative Services

Our administrative services include: (i) accounting and financial services, such as billing and collections, accounts payable, payroll, and financial reporting and planning; (ii) recruiting, hiring, training and supervising all non-medical personnel; and (iii) purchasing of supplies, pharmaceuticals, equipment, legal services and insurance.

(ii) Access to Capital

We provide our Fertility Partners and vein clinics with a significant competitive advantage through immediate access to capital for funding accounts receivable, expansion and growth. We are also able to offer physician providers in our network rapid access to the latest technologies and facilities in order for them to provide a full spectrum of services and compete effectively for patients in the marketplace. For example, we have built new clinical facilities housing state of the art fertility laboratories for several Partners, which enable them to expand their offerings to include a number of services, which they had previously outsourced and have acquired state of the art ultrasound and laser technology for our vein clinics.

(iii) Traditional Marketing and Sales

Our marketing department specializes in the development of sophisticated marketing and sales programs that give contracted clinics access to business-building techniques designed to facilitate growth and development. In today's highly competitive health care environment, marketing and sales are essential for growth and success. While these marketing and sales efforts are often too expensive for many individual physician practices, affiliation with us provides access to significantly greater marketing and sales capabilities than would otherwise be available. Our marketing services focus on revenue and referral enhancement, relationships with local physicians, media and public relations.

(iv) Internet Marketing and Website support

We operate industry leading web portals which (i) allow visitors access to educational material concerning infertility and vein care issues; (ii) provide links to our fertility Partner and Affiliate practices; (iii) provide links to our vein care centers; (iv) allow prospective patients to request fertility and vein care appointments or follow-up contact, and (v) allow prospective patients to request information on our Attain IVF program and apply for treatment financing.

(v) Integrated Information System

Using our established base of treatment providers, we are continuously developing nationwide, integrated information systems to collect and analyze clinical, patient, financial and marketing data. Our goal is to use this data to control treatment expenses, measure patient outcomes, improve patient care, develop and manage utilization rates and maximize reimbursements.

Employees

As of February 12, 2009, we have 1,202 employees. Of these, 969 are employed by our Fertility Centers division, 13 by our Consumer Services division, 185 by our Vein Clinics division and 35 are employed at our corporate

headquarters, including 6 who are executive management. Of these employees, 131 persons at our divisions are employed on a part-time basis and 103 are employed on a per diem basis. We are not a party to any collective bargaining agreement and we believe that our employee relationships are good.

Segment Information

We follow the requirements contained in Statement of Financial Accounting Standards (SFAS) No.131, "Disclosures about Segments of an Enterprise and Related Information", with respect to identifying and reporting business segments. This statement requires that segment reporting reflect our organizational structure, major revenue sources, line's of responsibility and senior management's perspective of the organization. With the acquisition of Vein Clinics of America (VCA) in the third quarter of 2007, we reorganized our service offerings into three major product lines: Fertility Centers, Consumer Services and Vein Clinics. Each of these operating segments includes an element of overhead within Cost of Services specifically associated with it. Such overhead costs were previously reported as General and Administrative costs. Such costs were reclassified in all periods presented to better reflect the operating results of our segments (000's omitted):

	Fertility Centers	Consumer Services	Vein Clinics(1)	Corp G&A
For the Year ended December 31, 2008, Restated				
Revenues	$ 138,440	$ 19,763	$ 39,950	$ --
Cost of Services	128,224	14,344	37,299	--
Contribution	10,216	5,419	2,651	--
Operating Margin	7.4%	27.4%	6.6%	--
General and administrative	0	0	0	10,65
Interest (income) expense, net	(181)	0	8	1,35
Income (loss) before income taxes	$ 10,397	$ 5,419	$ 2,643	$ (12,00
Depreciation expense included above	$ 4,327	$ 3	$ 761	$ 89
Capital expenditures, net	$ 4,053	$ --	$ 1,057	$ 58
Total assets	$ 36,885	$ 331	$ 46,750	$ 37,47
For the Year ended December 31, 2007, restated				
Revenues	$ 121,078	$ 16,460	$ 14,284	$ --
Cost of Services	111,059	12,336	13,304	--
Contribution	10,019	4,124	980	--
Operating Margin	8.3%	25.1%	6.9%	--
General and administrative	--	--	--	10,53
Interest (income) expense, net	(203)	--	2	8
Income (loss) before income taxes	$ 10,222	$ 4,124	$ 978	$ (10,61
Depreciation expense included above	$ 4,003	$ 3	$ 255	$ 84
Capital expenditures, net	$ 4,654	$ --	$ 906	$ 66
Total assets	$ 42,586	$ 888	$ 44,786	$ 25,91
For the Year ended December 31, 2006, restated				
Revenues	$ 112,767	$ 13,553	$ --	$ --
Cost of Services	104,357	9,421	--	--
Contribution	8,410	4,132	--	--
Operating Margin	7.5%	30.5%	--	--
General and administrative	--	--	--	9,38
Interest (income) expense, net	(279)	--	--	(9
Income (loss) before income taxes	$ 8,689	$ 4,132	$ --	$ (9,28
Depreciation expense included above	$ 3,594	$ 2	$ --	$ 61
Capital expenditures, net	$ 2,158	$ --	$ --	$ 1,07
Total assets	$ 41,458	$ 995	$ --	$ 33,87

(1) Acquired August 8, 2007.

Significant Service Contracts --

For the years ended December 31, 2008, 2007, and 2006, the following contracted fertility centers each individually provided greater than 10% of our revenues, net and/or contribution as follows:

	Percent of Company Revenues, net			Percent of Contribution		
	2008	2007	2006	2008	2007	2
R.S.C. of New England..........	7.2	8.9	10.7	8.7	10.5	1
Fertility Centers of Illinois..	16.3	19.2	22.3	15.2	17.6	1
Shady Grove Fertility Center...	18.0	21.3	22.9	17.2	21.4	2

Under all of our fertility Partner agreements, we receive as compensation for our services a three-part fee comprised of: (i) a tiered percentage of the fertility centers net revenues, (ii) reimbursed costs of services (costs incurred in servicing a fertility center and any costs paid on behalf of the fertility center) and (iii) either a fixed percentage, or a fixed dollar amount of the fertility centers earnings after services fees, which may be subject to further limits.

The third tier of our fee structure with these significant contracts contains provisions as follows:

- o R.S.C. of New England - a fixed annual percentage of the center's earnings.
- o Fertility Centers of Illinois - a fixed percentage of the center's earnings subject to a fixed dollar amount ($1,865,000) as an upper boundary and a fixed dollar amount ($932,000) as a lower boundary subject to a fixed percentage of the center's earnings limitation.
- o Shady Grove Fertility Center - a fixed dollar amount of the center's earnings subject to a fixed percentage of the center's earnings limitation ($1,071,000 is the upper boundary and $540,000 is the lower boundary of the calculation).

A complete listing of our fertility Partner contracts and vein clinic locations is presented below.

Fertility Partner contracts:

No.	Name	State	Year Contract Acquired
1.	Arizona Reproductive Medicine Specialists, Ltd.	AZ	July 2008
2.	Southeastern Fertility Centers, P.A.	SC	April 2008
3.	Center for Reproductive Medicine, P.A.	FL	August 2007

4.	Reproductive Partners Medical Group, Inc.	CA	January 2005
5.	Seattle Reproductive Medicine, Inc., P.S.	WA	January 2004
6.	Reproductive Endocrine Associates of Charlotte, P.C.	NC	September 2003
7.	Northwest Center for Infertility & Reproductive Endocrinology	FL	April 2002
8.	Shady Grove Fertility Reproductive Science Center, P.C.	MD, VA & DC	March 1998
9.	Fertility Centers of Illinois, S.C.	IL	August 1997
10.	Bay Area Fertility & Gynecology Medical Group, Inc.	CA	January 1997
11.	MPD Medical Associates (MA), P.C.	MA, NH & RI	July 1988

Vein Clinic locations:

No.	Location	Date Clinic Opened	No.	Location	D
1.	Pittsburgh, PA	December 2008	17.	Knoxville, TN	
2.	Skokie, IL	December 2008	18.	Raleigh, NC	
3.	Marietta, GA	June 2008	19.	Greensboro, NC	
4.	Alexandria, VA	April 2008	20.	Madison, WI	
5.	Milwaukee, WI	March 2008	21.	Rockville, MD	
6.	Boca Raton, FL	February 2008	22.	Charlotte, NC	
7.	Sterling, VA	December 2007	23	Orland Park, IL	
8.	Ft. Lauderdale, FL	July 2007	24.	Gurnee, IL	
9.	St. Louis, MO	January 2007	25.	Fairfax, VA	
10,	Merrillville, IN	August 2006	26.	Overland Park, KS	
11.	Kansas City, MO	June 2006	27.	Owings Mills, MD	
12.	West Palm Beach, FL	December 2005	28.	Buffalo Grove, IL	
13.	Alpharetta, GA	October 2005	29	Atlanta, GA	
14.	Naperville, IL	September 2004	30.	Oak Brook, IL	
15.	Lawrenceville, GA	September 2001	31.	Chicago, IL	
16.	Indianapolis, IN	April 2001	32.	Schaumburg, IL	

ITEM 1A. Risk Factors

Risk Factors

The following risk factors, while not intended to be all inclusive, could individually or in combination have a material adverse effect on our business, financial condition, results of operation and market price of our common stock.

Competition - Our business segments operate in highly competitive areas which are subject to continual change. New health care providers entering the market may reduce our market share, patient volume and growth rates. Additionally, increased competitive pressures may require us to commit more resources to our marketing efforts, thereby increasing our cost structure and impacting our profitability. There can be no assurance that we will be able to compete effectively with our current competitors. Nor can there be assurance that additional competitors will not enter the market, or that such competition will not make it more difficult for us to enter into additional contracts with fertility clinics or open profitable vein care clinics.

Alternative treatments - In addition to the services provided by our clinics, alternative treatments are available to patients with infertility and vein care issues. To the extent that these treatments are successful, or perceived as viable alternatives by prospective patients, our ability to attract and retain patients may be impacted.

Management turnover - The success of our business strategy depends upon the continued contribution of key members of our management team. The loss of key members of this team may adversely affect our ability to implement that strategy.

Cost containment measures and general healthcare reform - Cost containment measures instituted by healthcare insurers and any general healthcare reform could affect our ability to receive revenue from the use of our services. We cannot predict the effect of future legislation or regulation concerning the healthcare industry and third-party coverage on our business. In addition, fundamental reforms in the healthcare industry continue to be considered, however we cannot predict if any such reforms will be adopted and what impact these proposals might have on the demand for our services.

Contract termination - One or more of our fertility Partner practices may terminate their membership in our fertility network. Such an occurrence could significantly reduce our revenues without a corresponding reduction in our cost structure.

Physician resignation - The departure of one or more key medical providers may negatively impact the ability of a clinic to generate sufficient revenues and remain profitable.

Third-party payers - A significant portion of our fertility partner and vein clinic revenue depends upon reimbursements to the underlying physician practices from third-party payers. These third parties include government

authorities, private health insurers and other organizations, such as health maintenance organizations. Third parties are systematically challenging prices charged for medical treatment. They may deny reimbursement if they determine that a prescribed treatment is not used in accordance with cost-effective treatment methods as determined by the payer, or is experimental, unnecessary or inappropriate. Further, although third parties may approve reimbursement, such approvals may be under terms and conditions that discourage use of our services, even if our services are safer or more effective than the alternatives. Disruption of these relationships, whether in the form of changes to reimbursement contracts, loss of reimbursement contracts, solvency issues on the part of the payers, or in the case of our vein clinics, changes in Medicare reimbursement, may lower our revenues and therefore affect our cash flows and financial position.

Reliance on third party vendors - Our fertility and vein care clinics rely on a limited number of third-party vendors that produce medications and supplies vital to patient treatment. Should any of these vendors experience a supply shortage, it may have an adverse impact on our operations. To date, no shortage or disruption has been experienced.

State and Federal laws - Our business practices may be found to be in violation of State or Federal laws. These include, but are not limited to, Federal and State Anti-Kickback Laws, Federal and State Self-Referral Laws, Federal Stark Law, False Claim Laws, Federal and State Controlled Substances laws, HIPAA (Health Insurance Portability and Accountability Act) regulations, Medicare regulations and Anti-Trust Laws. Remedial efforts could result in a discontinuance of portions of our business or burdensome compliance efforts. The laws and regulations in this area are extremely complex and subject to interpretation. Many aspects of our business have not been the subject of federal or state regulatory review. Accordingly, there is no assurance that our operations have been in compliance at all times with all such laws and regulations. In addition, there is no assurance that a court or regulatory authority will not determine that our past, current or future operations violate applicable laws or regulations. If our operations were determined to violate laws or regulations, it could have a material adverse effect on our business, financial condition and operating results. In addition, state corporate practice of medicine laws vary from state to state. There can be no assurance that these laws will be interpreted in a manner consistent with our practices or that other laws or regulations will not be enacted in the future that could have a material adverse effect on our business, financial condition and operating results.

Corporate practice of medicine laws - Our operations may also be subject to state laws relating to the corporate practice of medicine. State laws may be interpreted to prohibit corporations other than medical professional corporations or associations from practicing medicine or exercising control over physicians, and may prohibit physicians from practicing medicine in partnership with, or as employees of, any person not licensed to practice medicine. State laws may also contain fee-splitting prohibitions or may prevent corporations from acquiring the goodwill of a medical practice. We believe that our operations are in material compliance with all applicable state laws relating to the corporate practice of medicine. We perform only non-medical administrative services, and in some circumstances, clinical laboratory services. In each of our clinical locations, a medical practice is the sole employer of the physicians, and the director of the medical practice retains the full authority to direct the medical, professional and ethical aspects of patient care.

Liability insurance - Providing health care services entails a substantial risk of medical malpractice and similar claims. While we do not engage in the practice of medicine, or assume responsibility for compliance with regulatory requirements directly applicable to physicians, we do require our affiliated medical practices to maintain medical malpractice insurance. However, in the event that services provided at one of our centers results in injury or other adverse effects, we are likely to be named as a party in any legal proceeding. Although we currently maintain liability insurance that we believe is adequate, successful malpractice claims could exceed the limits of our insurance and could have a material adverse effect on our business. Moreover, there is no assurance that we will be able to obtain such insurance on commercially reasonable terms in the future or that such insurance will provide adequate coverage against potential claims. In addition, a malpractice claim asserted against us could be costly to defend, could consume management resources and could adversely affect our reputation and business, regardless of the merit or eventual outcome of such claim. In addition, in connection with our acquisition of the assets of fertility centers, we may also assume some of the center's liabilities. Therefore, an entity may assert claims against us for events related to the fertility center prior to its becoming a Partner practice. We maintain insurance coverage related to these risks that we believe is adequate as to the risks and amounts, although there is no assurance that any successful claims will not exceed applicable policy limits. A portion of our insurance coverage is provided by a captive insurance company, therefore the availability of coverage, should it be needed, is subject to a host of risks.

Intellectual property risks - Trade secrets and other proprietary information which are not protected by patents are critical to our business. We attempt to protect our trade secrets by entering into confidentiality agreements with employees, third parties and consultants. However, these agreements can be breached. Even if we prove the breach, there may not be adequate remedy available to us.

Technology risks - The treatment of infertility and varicose veins are technologically intensive areas of medicine. There is no guarantee that our investments in medical technology will remain at the level of sophistication necessary for our clinics to remain competitive in the marketplace.

Impairment risks - We have recorded intangible assets related to our Business Service agreements and Vein Clinic acquisition. The value of these intangible assets is supported by the operating results of the underlying business unit. To the extent the operating results of the business unit(s) may become permanently impaired we may need to write-down the value of these assets against earnings in the period of impairment.

Tax positions - Our tax positions and tax returns are subject to routine review by Federal and State authorities. While we believe that our tax positions are in compliance with all applicable Federal and State tax laws, there can be no assurance that these laws will be interpreted in a manner consistent with our positions.

Financial results - Our quarterly results and stock price may fluctuate over time based on our business risk factors, seasonal influences, market expectations or other factors over which we have limited control. Other environmental financial factors over which we have limited or no control but which may impact our operations include the stability of the underlying financial system, health of the credit markets and government fiscal and monetary policies. In addition changes to financial variables over which we do exercise some control, such as dividend policy, stock dilution, banking and credit facilities, etc., may be perceived differently by different stakeholders, and thereby influence our stock price.

Compliance with debt covenants - Our term loan agreement with the bank requires that we maintain certain leverage and fixed charge ratios and minimum levels of EBITDA. The agreement also contains customary covenants related to dividends, acquisitions and additional indebtedness. There is no guarantee that we will continue to achieve compliance with these requirements.

Macroeconomic Events - Recent worldwide events in the financial and credit markets have reduced the availability of liquidity and credit to fund the operation and expansion of many business operations. This shortage of liquidity and credit, combined with recent substantial losses in worldwide equity markets, could lead to a material adverse effect on our business, financial condition and results of operations. Our ability to access the capital markets may be severely restricted at a time when we may have need, to access those markets, which could have a negative impact on our growth plans, our flexibility to react to changing economic and business conditions, and our ability to refinance existing debt. The financial and credit crisis could also have an impact on the lenders under our credit facilities, causing them to fail to meet their obligations to us. In addition, our levels of elective procedures and our ability to collect accounts receivable, due to the effects of higher unemployment and reductions in commercial managed care enrollment, may be materially impacted if the current economic environment continues.

Failure to successfully integrate acquisitions - The integration of an acquired company is an intricate and complicated task. Merging two cultures and sets of operating procedures to achieve the synergies envisioned at the outset of the transaction requires significant manpower and resources. There is no guarantee that we will be able to achieve the accretive earning potential of any acquisition.

ITEM 1B. Unresolved Staff Comments

We believe that we have complied with all the requests of the SEC staff in this filing, but have not yet received the "no further comment" communications.

ITEM 2. Properties

Our headquarters and executive offices are located in Purchase, New York, where we occupy approximately 18,500 square feet under a lease expiring in 2012. Future lease payments will approximate $51,100 per month.

We also lease or sublease locations for our fertility centers and vein clinics. Costs associated with the fertility agreements are reimbursed to us as part of our fee agreement with the applicable clinic whereas costs associated with vein clinic locations are not reimbursed.

We believe that our executive offices and the space occupied by our clinics are adequate for our operations.

ITEM 3. Legal Proceedings

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

ITEM 4. Submission of Matters to a Vote of Security Holders

None.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the NASDAQ National Market under the symbol "INMD" The following table sets forth the high and low closing sales price for our common stock, as reported on the NASDAQ National Market.

	Common Stock	
	High	Low
2007		
First Quarter...........	12.53	10.42
Second Quarter..........	13.18	10.53
Third Quarter...........	12.69	9.68
Fourth Quarter..........	15.05	10.68
2008		
First Quarter...........	12.00	8.30
Second Quarter..........	10.32	6.79
Third Quarter...........	8.20	5.77
Fourth Quarter..........	7.08	4.30

On March 20, 2009, there were approximately 115 holders of record of the Common Stock and approximately 1,600 beneficial owners of shares registered in nominee or street name.

Dividend Policy

We have not paid cash dividends on our common stock during the last two fiscal years, and we currently anticipate retaining all available funds for use in the operation and expansion of the business. Therefore, we do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Selected Equity Transactions

We have three stock option plans which have been approved by our shareholders. The following table sets forth certain information relative to these stock option plans.

Plan Category	Number of Securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of secur remaining avail future issuance equity compensa (excluding secu reflected in co (c)
Equity compensation plans approved by security holders........	227,016	$5.78	214,869
Equity compensation plans not approved by security holders.....	--	--	--
Total................	227,016	$5.78	214,869

During 2008, 2007 and 2006, we issued approximately 99,000, 78,000 and 106,000 shares, respectively, of restricted common stock as deferred compensation to several of our officers and directors with an aggregate value of

$899,000 $956,000 and $887,000 respectively. These shares were valued at their fair value on the date of grant, and are amortized to expense over their vesting period, which approximates the service period.

During 2008, we also issued approximately 128,000 incentive stock options to certain members of our management team. These options have a ten year life, vest over four years and had a fair value at date of grant of approximately $741,000.

During 2007 and 2006, we issued 1,628,907 and 1,291,368 shares respectively, of Common Stock as a stock split effected in the form of a stock dividend to our then current stockholders. The additional shares represent splits at 25% for each year. The issuance of these shares had no direct financial impact on our results of operations or financial position and did not alter the market capitalization of our common shares outstanding. All earnings per share amounts were restated to reflect the splits.

In 2007, the Company issued an aggregate of 336,700 shares of unregistered restricted shares of Common Stock in reliance of Section 4(2) of the Securities Act of 1933 to Kush K. Agarwal and Brian D. McDonagh in connection with the Company's acquisition of Vein Clinics of America, Inc. on August 8, 2007. These shares had a market value of $4 million on the date of issuance.

Performance Graph

The following graph compares the cumulative 5-year total return provided to shareholders on IntegraMed America, Inc.'s common stock relative to the cumulative total returns of the NASDAQ Composite index and the NASDAQ Health Services index. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each of the indexes on 12/31/2003 and its relative performance is tracked through 12/31/2008.

[GRAPHIC OMITTED]

	12/03	12/04	12/05	12/06	12/07	12/08
IntegraMed America, Inc.	100.00	187.52	275.83	391.93	374.35	219.73
NASDAQ Composite	100.00	110.08	112.88	126.51	138.13	80.47
NASDAQ Health Services	100.00	127.29	135.26	141.82	142.06	100.14

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

ITEM 6. Selected Financial Data -

The following selected financial data (for the years ended December 31, 2008, 2007, 2006, 2005 and 2004) are derived from our consolidated financial statements and should be read in conjunction with the financial statements, related notes, and other financial information included elsewhere in this Annual Report on Form 10-K. Financial information for our Vein Care division is included only for the period subsequent to its August 8, 2007 acquisition.

Earnings per share and average share values for the years 2006, 2005, and 2004 have been restated to reflect the 25% stock split effected in the form of a stock dividend declared in March 2007, the 25% stock split effected in the form of a stock dividend declared in May 2006, and the 30% stock split effected in the form of a stock dividend declared in May 2005. These results reflect the impact of the restatement of the timing of the revenue recognition of our Attain IVF program, as described in Note 2 to the consolidated financial statements and accordingly the data for 2004, 2005, 2006 and 2007 have been restated.

Statement of Operations Data:

	December 31,			
	2008	2007	2006	2005
	(in thousands, except per share amoun			
Revenues, net	$ 198,153	$ 151,822	$ 126,320	$ 128,
Costs of services incurred	179,867	136,699	113,778	114,
Contribution	18,286	15,123	12,542	14,
General and administrative expenses	10,654	10,537	9,380	12,
Total other (income) expense, net	1,180	(120)	(378)	(
Income before taxes	6,452	4,706	3,540	2,
Provision for income taxes	2,537	1,662	470	1,
Net income	3,915	3,044	3,070	1,
Net income applicable to Common Stock	$ 3,915	$ 3,044	$ 3,070	$ 1,
Basic EPS	$ 0.45	$ 0.37	$ 0.38	$ 0
Diluted EPS	$ 0.45	$ 0.36	$ 0.37	$ 0
Weighted average shares - basic	8,618	8,310	8,090	8,
Weighted average shares - diluted	8,691	8,410	8,194	8,

Balance Sheet Data:

	December 31,			
	2008	2007	2006	2005
	(in thousands)			
Working capital (1)	$(2,445)	$(3,434)	$11,685	$6,148
Total assets	121,441	114,171	76,323	67,190
Total indebtedness	30,219	25,460	8,774	10,147
Accumulated deficit	(2,178)	(6,094)	(9,139)	(12,209
Shareholders' equity	52,266	47,635	40,178	36,298

(1) Represents current assets less current liabilities.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

This Form 10-K 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 Fertility Partner agreements or open additional vein clinics, 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 or vein clinics serviced by us, increases in overhead due to expansion, the exclusion of fertility services or vein care from insurance coverage, government laws and regulation regarding health care, changes in managed care contracting, the timely development of and acceptance of new fertility or vein treatment 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 is a specialty healthcare services company offering products and services to patients and providers in the fertility and vein segments of the healthcare industry. We deliver these products and services through three main operating divisions.

Our Fertility Centers division is a provider network comprised of eleven contracted fertility centers, referred to as our Partner Program, located in major markets across the United States. IntegraMed offers products and services to these providers designed to support the fertility center's growth. All fertility Partners also have full access to our Consumer Services offerings (described below). The division also supports a Council of Physicians and Scientists, for fertility providers as well as ARTIC, a captive insurance company which provides malpractice insurance to member physicians.

The Consumer Services division offers products directly to fertility patients. The division's Attain IVF program and financing products are designed to make the treatment process easier and more affordable for patients. The division maintains a contracted network of 22 independent fertility clinics under its Affiliated program which are designed to distribute the division's products and services to a wider group of patients than those serviced by our Partner locations.

Our Vein Clinics division began operations on August 8, 2007, with the purchase of Vein Clinics of America, Inc. The Vein Clinics division currently operates a network of 32 clinics (33 as of January 2009) located in 12 states, which specialize in the treatment of vein disease and disorders.

The primary elements of our business strategy include:

- Expanding our network of fertility and vein clinics into new major markets;
- Increasing the number and value of Consumer Service packages purchased by Affiliates in our network;
- Entering into additional Partner contracts with Affiliated and non-Affiliated fertility centers;
- Opening new vein treatment clinics;
- Increasing revenues and profits at contracted fertility centers and consolidated vein clinics;
- Increasing sales of Attain IVF and treatment financing products to fertility patients; and
- Leveraging corporate general and administrative costs over a larger base of operations.

The business strategy of our Fertility Centers 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. The

business strategy of the Vein Clinic segment is to provide technologically advanced care for vein disease to an underserved population through the opening of additional clinics, growing each of the clinics and achieving higher productivity and profitability at each clinic.

Major events impacting financial condition and results of operations

2008

On October 28, 2009, the management of the Company concluded and subsequently reported to the Audit Committee of the Company's Board of Directors that the Company's audited financial statements for the years ended December 31, 2006, 2007 and 2008 should no longer be relied upon and will be restated due to an understatement in revenue recognized in connection with its Attain IVF program within its Consumer Services Division. See Note 2 to the consolidated financial statements for additional information.

From June 2008 through March 2009, the annual 2007 and the 2008 periodic interim reports of IntegraMed America, Inc. and Subsidiaries were the subject of a standard comment and review process by the Staff of the Division of Corporation Finance of the Securities and Exchange Commission ("SEC"). The application of generally accepted accounting principles to the Company's Attain IVF program's multiple element revenue arrangements is complex and management's interpretation of the applicable authoritative literature related to the timing of the recognition of the fair value of revenue for the non-refundable portion of the Attain IVF program fees differed from that of the SEC which caused us to re-evaluate the Company's revenue recognition policies. As a result, the Company restated its prior financial statements with respect to the timing of revenue recognition for its Attain IVF program (formerly Shared Risk Refund program) within its Consumer Services Division. Our previous revenue recognition policy had generally recognized the non-refundable patient fees (generally 30% of the contract amount) as revenue upon the completion of the first treatment cycle. We now recognize the non-refundable fees based on the relationship of the fair value of each treatment to the total fair value of the treatment package available to each patient. We also recognize a "warranty reserve" representing the estimated cost of services to be provided in the event a qualified patient miscarries. This restatement does not impact the cash flows from operations of this program or the ultimate profits to be recognized, only the timing of the revenue recognition for a portion of the fees that we collect from our customers. See Note 2 to the consolidated financial statements.

On December 17, 2008, we announced the opening of a new Vein Clinic location in Skokie, Illinois. This clinic represents IntegraMed's ninth vein care clinic in the greater Chicago metropolitan area and will benefit from the significant operational and marketing leverage we have developed in that market.

On December 8, 2008, we announced the opening of a new Vein Clinic location in Monroeville, Pennsylvania. This clinic is IntegraMed's first vein clinic in Pennsylvania and is designed to provide state of the art vein care to patients in the greater Pittsburgh area.

On July 9, 2008, we entered into a Business Services Agreement to provide discrete business services to Arizona Reproductive Medicine Specialists, based in Phoenix, Arizona. Under the terms of this 25 year agreement, our service fees are initially comprised of a fixed percentage of the fertility practice's net revenue. We also have the exclusive option at any point during the life of the contract to expand our service offerings into a complete range of business, marketing and financial services at which time our fees will also include a fixed percentage of the fertility practice's earnings.

On June 23, 2008, we announced that we entered into a new Affiliate services contract with the University of North Carolina ("UNC") School of Medicine's Department of Obstetrics and Gynecology in Chapel Hill, North Carolina. As an Affiliate, UNC School of Medicine's Department of Obstetrics and Gynecology receives distribution rights to IntegraMed's consumer products and services. In addition, UNC School of Medicine's Department of Obstetrics and Gynecology has the right to receive other products and services uniquely designed to support the business needs of successful, high-growth fertility centers.

On June 5, 2008, we announced the opening of a new Vein Clinic location in Marietta, Georgia. This clinic is IntegraMed's fourth vein clinic in Georgia and this newly completed, state-of-the-art clinic, outfitted with the latest in laser and other vein treatment technologies is positioned to deliver the highest level of patient care available in the area.

On April 29, 2008, we announced the opening of a new Vein Clinic treatment center in Alexandria, Virginia. This addition to our Vein Clinics Division will provide focused vein care treatment solutions to the Washington, D.C. metropolitan area.

On April 24, 2008, we entered into a Business Services Agreement to supply a complete range of business, marketing and facility services to the Southeastern Fertility Centers, P.A., located in Mount Pleasant, South Carolina.

Under the terms of this 25-year agreement, our service fees are comprised of reimbursed costs of services, a tiered percentage of revenues, and an additional fixed percentage of the practice's earnings. We also committed up to $0.6 million to fund any necessary capital needs of the practice.

On April 1, 2008, we entered into an Affiliate services contract with OU Physicians Reproductive Health in Oklahoma City, Oklahoma. As a result of this agreement, OU Physicians Reproductive Health provides another opportunity for our Consumer Services Division to distribute their product offerings in support of this successful fertility center.

2007

On August 29, 2007, we entered in to a Business Services Agreement to supply a complete range of business, marketing and facility services to the Center for Reproductive Medicine in Orlando, Florida. The Center for Reproductive Medicine is a fertility practice comprised of four physicians. Under the terms of this 25-year agreement, our service fees are comprised of reimbursed costs of services, a tiered percentage of revenues, and an additional fixed percentage of the Center for Reproductive Medicine's earnings. We also committed up to $1.0 million to fund any necessary capital needs of the practice.

On August 8, 2007, we acquired all of the outstanding stock of VCA for a total cost of approximately $29 million in cash and common stock. The results of VCA are included in our financial statements from the date of the acquisition.

Also on August 8, 2007 we entered into an amended loan agreement with Bank of America. The new term loan is in the amount of $25 million (the proceeds of which were applied to repay our original term loan and finance in part the VCA transaction). Interest on the new term loan is at our option, at the prime rate or at LIBOR plus 2% to 2.75% depending upon the level of the ratio of consolidated debt to earnings before interest, taxes depreciation and amortization ("EBITDA"). The loan agreement also contains provisions for a revolving line of credit in the amount of $10 million. Interest on the revolver is at LIBOR plus 1.5% to 2.5% depending on the level of the ratio of consolidated debt to EBITDA. As of September 30, 2008, no amounts were drawn on the revolver.

Effective July 1, 2007, we expanded the Shady Grove Fertility Center Partner Service arrangement with the addition of the Fertility Center of the Greater Baltimore Medical Center ("Center") in Baltimore, Maryland where we will provide a full range of business, marketing and facility services. Under the terms of this agreement, we purchased the assets of the Center from Greater Baltimore Medical Center and have committed additional resources to support further growth and development of the Center. Under the terms of this agreement, we will be paid service fees comprised of reimbursed costs of services and a fixed percentage of revenues, plus an additional fixed amount of the Center's earnings.

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 consisted of non-cash adjustments to deferred tax and intangible balances and did not result in any changes to net income or earnings per share for any period. All periods affected by this error have been restated throughout this document.

In December 2006, we determined that we no longer needed a valuation allowance related to deferred tax assets generated by net operating loss carry-forwards of prior years. As a result, we recorded a tax benefit of $821,000 which reduced our overall tax provision and increased net income by the same amount while adding $0.10 to earnings per share.

Significant Accounting Policies

Our accounting policies are described in Note 2 of the consolidated financial statements.

Results of Operations

As discussed above, the Company herein is restating its prior financial statements with respect to revenue recognition for its Attain IVF program (formerly Shared Risk Refund program) within its Consumer Services Division. All of the financial data discussed herein, has been restated for this issue.

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 years ended December 31, 2008, 2007 and 2006 (for comparability purposes, the tax benefit for 2006 is omitted):

	2008	2007	2006
Revenues, net:			
Fertility Centers	69.9%	79.8%	89.3%
Consumer Services	10.0%	10.8%	10.7%
Vein Clinics	20.1%	9.4%	0.0%
Total revenues	100.0%	100.0%	100.0%
Costs of services incurred:			
Fertility Centers	64.7%	73.2%	82.7%
Consumer Services	7.3%	8.1%	7.4%
Vein Clinics	18.8%	8.7%	0.0%
Total costs of service	90.8%	90.0%	90.1%

Contribution:			
Fertility Centers	5.2%	6.6%	6.6%
Consumer Services	2.7%	2.7%	3.3%
Vein Clinics	1.3%	0.7%	0.0%
Total contribution	9.2%	10.0%	9.9%
General and administrative expenses	5.4%	6.9%	7.4%
Interest income	(.2)%	(.8)%	(.9)%
Interest expense	.8%	.8%	.6%
Total other expenses	6.0%	6.9%	7.1%
Income from operations before income taxes	3.2%	3.1%	2.8%
Income tax provision	1.2%	1.1%	0.4%
Net income	2.0%	2.0%	2.4%

Revenues

For the year ended December 31, 2008, total revenues of $198.2 million increased approximately $46.3 million, or 30.5% from the same period in 2007. We experienced year-over-year organic revenue increases in both of our fertility business segments. Our Fertility Centers revenue increased as a result of growth within our existing medical practices, as well as the addition of two new Partner arrangements and the full year of results of a Partner added in the third quarter of 2007. Expansion continued in our Consumer Services segment, driven by the continued expansion of its Attain IVF program. In addition to our

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fertility segments, our performance for the twelve months ended December 31, 2008, included full year results from our Vein Clinics division which was purchased on August 8, 2007.

For the year ended December 31, 2007, total revenues of $151.8 million increased approximately $25.5 million, or 20.2% from the same period in 2006. Our Fertility Centers revenue increased as a result of growth within the underlying medical practices, the addition of one new Partner arrangement and the expansion of the Shady Grove contract in 2007. Expansion continued in our Consumer Services segment, driven by the growth of its Attain IVF program. In addition to growth within these two segments, on August 8, 2007, we acquired Vein Clinics of America, Inc. This leading provider of vein disease treatment became our third operating segment and contributed $14.3 million to our 2007 revenues.

A segment-by-segment discussion is presented below.

Fertility Centers 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 fertility practice financials with our own, these financials do directly affect our revenues.

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

- A Base Service fee calculated as a percentage of patient revenue as reported by the Partner practice (this percentage varies from 6% down to 3% depending on the level of patient revenues);
- 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);
- 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).

In addition to these revenues generated from our Fertility Centers, we often receive miscellaneous other revenues related to providing services to medical practices. 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.

Fertility Center revenues in the year ended December 31, 2008, increased by $17.4 million or 14.3% from the same period in 2007. This compares to an increase of $8.3 million, or 7.4% for the year ended December 31, 2007 versus 2006. During both years, growth was largely attributable to same center year-over-year growth in our network of underlying medical practices. Influencing this growth is our focus on increasing patient revenues through effective multi-faceted marketing programs, as well as our continued focus on expense management which drives operational efficiency and higher contribution margins. Revenues for the year ended December 31, 2008, also benefited from (a) the inclusion of a new fertility Partner in Mount Pleasant, South Carolina which contributed $3.5 million to our net revenue since its addition in April 2008; (b) full year results from our Orlando, Florida Partner added in September 2007, and (c) the full year impact from the expansion of Shady Grove into the Baltimore, Maryland market in July 2007.

In July 2008, we also entered into a twenty-five year contract with an established fertility clinic based in Phoenix, Arizona. Under the terms of this agreement we will phase in the implementation of our full suite of Partner services over time. Under this arrangement, our fees are currently calculated as a fixed percentage of the clinics revenues with an option to expand into our standard three-tiered fee structure, in line with expanded Partner services, based upon the center meeting certain performance targets.

The table below illustrates the components of the Fertility Centers segment revenue in relation to the physician practice financials for 2008, 2007 and 2006 (000's omitted):

	Twelve Months Ending December 31,		
	2008	2007	2006

Physician Financials			
(a) Patient revenue	$ 192,380	$ 168,653	$ 152,632
(b) Cost of services	125,156	109,132	102,625
(c) Base service fee	8,798	7,791	7,170
(d) Practice contribution (a-b-c)	58,426	51,730	42,837
(e) Physician compensation	52,861	46,687	38,576
(f) IntegraMed additional fee	5,565	5,043	4,261
IntegraMed Financials			
(g) IntegraMed gross revenue (b+c+f)	139,517	121,975	114,055
(h) Amortization of business service rights	(1,300)	(1,343)	(1,495)
(i) Other revenue	223	446	207
(j) IntegraMed fertility services revenue (g+h+i)	$ 138,440	$ 121,078	$ 112,767

(i) Other revenue includes administrative fees we receive from ARTIC, the captive insurance company, fees from the Phoenix fertility center noted above as well as other miscellaneous fees.

The following summarized quarterly data for 2008, 2007 and 2006 is presented for additional analysis and demonstration of the slight seasonality of the fertility division. The volumes in the first quarter of each year are typically lower than the balance of the year as many patients do not wish to prepare for the IVF procedure in the last month of the year, resulting in fewer IVF ready patients in January and February. Contributing to the lower volumes are voluntary laboratory closures at year-end at several of our labs in order to undergo normal maintenance (in thousands, except New Patient Visits and IVF Cases Completed).

	Revenues, Net (000's)			Contribution (000's)			New Patient Visits			
	2008	2007	2006	2008	2007	2006	2008	2007	2006	
First quarter...	32,746	$29,092	$27,497	2,304	$2,315	$2,059	6,765	5,917	5,303	3
Second quarter .	35,051	29,728	28,648	2,570	2,526	2,031	7,093	5,867	5,452	3
Third quarter...	36,505	31,046	28,256	2,743	2,714	2,174	7,186	5,930	5,578	3
Fourth quarter..	34,138	31,212	28,366	2,599	2,464	2,146	7,173	6,279	5,400	3
Total year	$138,440	$121,078	$112,767	$10,216	$10,019	$8,410	28,217	23,993	21,733	13

Consumer Services Segment

For the year ended December 31, 2008, revenues of $18.4 million from our Attain IVF Program represented approximately 93% of our Consumer Services segment revenues. This compares to revenues of $15.1 million, or slightly over 91% of Consumer Services revenues in 2007. Revenue growth in the Attain IVF program of $3.3 million, or 21.8%, in 2008 was the result of enrolling more patients into the program and increasing patient through-put by maintaining, high pregnancy success rates. Similarly, Attain IVF revenue growth of $3.1 million, or 21.4%, in 2007 versus 2006 was also attributable to expanded enrollments relative to the earlier year, coupled with high pregnancy rates. Over the past four years, enrollments in our Attain IVF Program have grown at a compound annual rate of 32.8%, while pregnancy success rates have either been maintained or increased. Since our customers in the Attain IVF program prepay for their suite of services, and a significant portion of the fees received by us are not recognized until the patient achieves pregnancy, our Attain IVF deposits and Deferred Revenue balance continues to grow each year as the number of enrolled patients grow.

The following summarized Consumer Services segment quarterly data for 2008, 2007 and 2006 is presented for additional analysis and demonstration of the growth of enrollments and pregnancies in our Attain IVF program.

	Revenues, Net (000's)			Contribution (000's)			Enrollments		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
First quarter...	$4,196	$3,235	$3,036	1,235	$751	$765	212	250	159
Second quarter .	4,807	4,179	3,127	1,446	1,125	1,266	280	241	194
Third quarter...	5,364	4,557	3,512	1,352	1,171	1,081	307	247	227
Fourth quarter..	5,396	4,489	3,878	1,386	1,077	1,020	250	222	207
Total year	$19,763	$16,460	$13,553	$5,419	$4,124	$4,132	1,049	960	787

Revenues from our Affiliate program were $1.2 million for the year 2008, which is approximately unchanged from the years ended December 31, 2007 and 2006. Although our Affiliate program produces significant revenues on a stand alone basis, the primary value of the twenty two enrolled clinics as of December 31, 2008, is to serve as a distribution channel for our Attain IVF program and as an introduction to our services for medical practices which move on to become full fertility Partners. During 2008, four independent fertility clinics joined our Affiliate program and two left in Partner related transactions for a net increase of two clinics. For the year ended December 31, 2007, our Affiliate program had a net reduction of one clinic as one practice moved up to our Partner program.

Pharmaceutical revenue of $0.2 million for the year ended December 31, 2008, was approximately equal to the prior period in 2007, and down slightly from $0.4 million in 2006. Our pharmaceutical revenues are comprised of marketing support fees we earn based upon underlying product margin as reported by a third-party pharmaceutical distributor. Over the past several years we have seen flat or declining revenues due to pharmaceutical cost increases which the distributor has been unable to pass on to the consumer as a result of competitive pressures. We view these pricing and margin developments as longer-term structural elements within the pharmaceutical market do not expect significant improvement during 2009. As such we are anticipating not renewing our contract with the third-party distributor when it expires in 2009.

Vein Clinics Segment

Revenues for the year ended December 31, 2008, were approximately $40.0 million versus partial year revenues of $14.3 million in 2007. Revenues for the year ended December 31, 2007, represent operating results only since this segment was purchased on August 8, 2007.

Vein clinic revenues are generally from billings to patients or their insurer for vein disease treatment services, as opposed to the service fees and reimbursed costs earned by our Fertility Centers segment. For comparable purposes, revenues reported by VCA on a stand alone basis for the twelve months ended December 31, 2007 were $34.5 million.

As of December 31, 2008, revenues at established clinics opened one year or more rose by $2.2 million, or 6.6%, to $35.9 million from $33.7 million for the full twelve months of 2007. During 2008 we also opened our planned five new clinics, for a total of 32 as of December 31, 2008, versus three clinics opened in 2007, as we continued to successfully execute our expansion plans.

We have included the results of VCA in our financial statements since the date of its acquisition on August 8, 2007. For purposes of additional analysis and to demonstrate the significant seasonality of this segment, summarized VCA quarterly data for 2008 and 2007 (revenues and contribution in thousands) appear below:

	Revenues, Net		Contribution			New Patients		T
	2008	2007	2008	2007		2008	2007	
First quarter...	$8,842	$7,404	$322	$266		1,208	1,114	15
Second quarter .	10,062	9,155	713	1,158		1,572	1,382	19
Third quarter...	10,360	8,283	892	(1,704)	(a)	1,500	1,266	17
Fourth quarter..	10,686	9,704	724	438		1,187	1,127	18
Total year	$39,950	$34,546	$2,651	$158		5,467	4,889	71

(a) Includes non-recurring expenses of $2,016,000 related to the sale of the company.

VCA operated 32 clinics at the end of 2008, 28 clinics at the end of 2007 and 25 at the end of 2006.

Contribution

For the year ended December 31, 2008, total contribution of $18.3 million was up approximately $3.2 million, or 20.9% from the same period in 2007. Increased contribution in our Fertility Centers segment in 2008 was the result of the increased profitability in our platform of existing clinics as well as the addition of acquisition related results. The continued growth of our Attain IVF program and full year results from our Vein Clinics segment were also major contributors to the improvement.

For the year ended December 31, 2007, contribution growth was $2.6 million, or 20.6%, versus the comparable period in 2006. The increase in contribution in 2007, versus 2006, was fueled mainly by organic growth in our Fertility Centers division coupled with partial year results from our Vein Care division acquired in August 2007. Contribution results for our Consumer Division in 2007 were essentially even with 2006, as growth in our Attain IVF program was offset by declining fees from pharmaceutical sales.

A segment-by-segment discussion is presented below.

Fertility Centers Segment

Fertility Center contribution of $10.2 million for the year ended December 31, 2008, increased approximately $0.2 million, or 2.0%, from prior year levels. Although this segment experienced revenue growth of 14.3% in 2008, versus the prior year, margin growth was tempered by additional division level infrastructure investments. These investments, which totaled $1.2 million during 2008, were designed to support continuing growth and new acquisitions within this segment. Excluding this additional infrastructure, contribution from operations grew $1.4 million, or 11.5%, for the twelve months ended December 31, 2008, versus the year earlier period. Approximately $0.8 million of the increase in contribution came from our new fertility Partners with the remaining centers generating contribution growth of $0.6 million versus the prior year.

Fertility Center contribution for the year 2007 increased approximately $1.6 million, or 19.1% from the same period in the prior year. This increase was primarily attributable to the continued revenue and margin growth of our existing Fertility Centers, and entry into new fertility markets in Baltimore, Maryland and Orlando, Florida. Contribution growth rates for our existing Partners averaged 14.9% in 2007, versus the prior year. The new markets entered into during the second half of 2007 generated contribution of more than $400,000.

Consumer Services Segment

Contribution from our Consumer Services segment grew by $1.3 million to $5.4 million for the twelve months ended December 31, 2008 versus a contribution of approximately $4.1 million in the year earlier period. This growth was driven by our Attain IVF Program in which the two key profitability metrics (i.e., the number of patients receiving treatment and pregnancy success rates) showed year-over-year improvement in 2008 versus 2007.

Contribution from both our Affiliate and Pharmaceutical programs in 2008, were on par with results in 2007. Although our Affiliate program grew by a net of two fertility practices during 2008, the underlying value of this program is to serve as a distribution channel for our Attain IVF and patient financing products as well as a source of future Partner programs. Also, as noted previously, the market for pharmaceutical products in which we participate has been subject to external pricing pressures which have restricted revenues and profitability.

For the year ended December 31, 2007, contribution of $4.1 million from our Consumer Services segment was equal to the $4.1 million earned in the prior year. While enrollments in our Attain IVF program grew in 2007 versus 2006, pregnancy rates during 2007 were at the low end of our expected range and impacted the amount of revenue recognized as we record the bulk of our revenue at the time of pregnancy.

Contribution from our Pharmaceutical line, down $0.4 million, or 71.3% was due to a previously mentioned unfavorable pricing and reimbursement environment.

Vein Clinics Segment

For the year ended December 31, 2008, contribution from our Vein Clinics Division of $2.7 million was up $1.7 million from reported 2007 results. Year versus year comparisons for this segment are not directly comparable as 2007 results only include contribution generated since this segment was acquired in August 2007. During the fourth quarter of 2008, this segment generated contribution of $724,000, as compared to $438,000 in the fourth quarter of 2007. This improved performance is attributed to (a) enhanced efficiency and retention at the clinic operational level; (b) improvements in revenue cycle management; (c) the opening of five additional clinics in 2008 versus 2007, net of associated start-up costs and (d) savings from integrating VCA's administrative functions with the Corporate Shared Services group.

General and Administrative Expenses

General and Administrative ("G&A") expenses are comprised of salaries and benefits, administrative, regulatory compliance, and operational support costs defined as our Shared Services group, which are not specifically related to individual clinical operations or other divisional operations. These costs totaled $10.7 million for the year 2008, $10.5 million in 2007 and $9.4 million in 2006. We measure our success by relating G&A costs to operating contribution. For twelve months ended December 31, 2008, G&A expenses were 58.3% of contribution which compares favorably to ratios of 69.7% for the same period in 2007 and 74.8% in 2006. We continue to actively manage G&A expenses in an effort to leverage our Support Services group and extract economies of scale from within the organization.

Interest

Net interest expense for the year ended December 31, 2008 totaled $1.2 million, compared to net interest income of $0.1 million for the year 2007, and net interest income of $0.4 million in 2006. The change in net interest income/expense for the three years ended December 31, 2008, is primarily the result of utilizing cash on hand and additional borrowings as the principal means of financing our acquisition of VCA in August 2007. This acquisition used approximately $14 million of cash from our balance sheet in addition to $17 million of new borrowings.

Coupled with this cash outlay is a reduction in the general level of interest rates as well as a slow-down in various credit markets which has resulted in restrictions on the interest income we are able to earn on our cash balances. Subject to interest rate fluctuations, we anticipate interest expense to decrease gradually in the coming quarters as scheduled debt repayments reduce our outstanding principle balances.

Interest income of $0.4 million for the year ended December 31, 2008 was below that of the prior year by $0.9 million, or a reduction of 69.5%, primarily as a result of lower market interest rates and conditions in the credit markets which limited investment opportunities. Interest expense of $1.6 million for the year ended December 31, 2008, exceeded that of the prior year by $0.4 million, or 37.5% primarily due to interest charges on new borrowings done in August 2008, associated with the VCA acquisition.

For the year ended December 31, 2007, interest income increased $0.2 million, or 17.1%, from the same period in 2006, as a result of earnings on idle cash balances during the first seven months of 2007. Interest expense of $1.1 million for the year ended December 31, 2007, increased by $0.4 million from the same period in 2006, as a result of mid-year borrowings associated with the VCA acquisition.

Income tax provision

Our provision for income tax was approximately $2.5 million, $1.7 million and $0.5 million for the three years ended December 31, 2008, 2007 and 2006 respectively, or 39.3%, 35.3% and 13.3% of pre-tax income, respectively. Our effective tax rates for all years reflect provisions for both federal and state income taxes. The low effective tax rate of 13.3% for the year ended December 31, 2006 was mainly due to an $821,000 tax benefit related to the elimination of the valuation allowance on deferred tax assets. The lower effective tax rate of 35.3% for the year ended December 31,