INTEGRA INC

FORM 10-Q
(Quarterly Report)

Filed 08/13/99 for the Period Ending 06/30/99

Address	1060 FIRST AVENUE KING OF PRUSSIA, PA, 19406
Telephone	6109927000
CIK	0000915859
SIC Code	8093 - Services-Specialty Outpatient Facilities, Not Elsewhere Classified
Industry	Business Support Services
Sector	Industrials
Fiscal Year	12/31

INTEGRA INC

FORM 10-Q
(Quarterly Report)

Filed 8/13/1999 For Period Ending 6/30/1999

Address	1060 FIRST AVENUE
	KING OF PRUSSIA, Pennsylvania 19406
Telephone	610-992-7000
CIK	0000915859
Industry	Healthcare Facilities
Sector	Healthcare
Fiscal Year	12/31

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1999

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 NUMBER 1-13177

INTEGRA, INC.

(Exact name of registrant as specified in its charter)

Delaware	13-3605119
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1060 First Avenue - Suite 410 King of Prussia, PA	19406
(Address of principal executive offices)	(Zip Code)

(610) 992-2600

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

As of August 5, 1999, Integra, Inc. had 10,138,552 shares of common stock, $0.01 par value, outstanding.

INDEX

INTEGRA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(UNAUDITED)

	Three Months Ended June 30, 1999	Three Months Ended June 30, 1998
Net revenues:		
Patient service revenue		$ 6,493
Premium revenue	$ 6,239	3,416
Total net revenues	6,239	9,909
Cost of revenues:		
Patient service costs		5,873
Premium service costs	3,991	2,174
Total cost of revenues	3,991	8,047
Gross profit	2,248	1,862
Selling and administrative expenses	1,462	1,221
Provision for doubtful accounts		419
Restructuring and other charges	(700)	
Amortization of intangible assets and excess cost over fair value of net assets acquired	121	282
Income (loss) from operations	1,365	(60)
Interest expense - related parties		1,020
Interest expense - net	25	166
Income (loss) before income taxes	1,340	(1,246)
Provision for income taxes	37	30
Net income (loss)	$ 1,303	$ (1,276)
Net income (loss) per common share:		
Basic	$ 0.13	$ (0.13)
Diluted	$ 0.12	$ (0.13)
Weighted average shares outstanding:		
Basic	10,138,552	10,096,234
Diluted	10,523,514	10,096,234

INTEGRA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(UNAUDITED)

	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
Net revenues:		
Patient service revenue		$ 19,058
Premium revenue	$ 12,595	6,255
Total net revenues	12,595	25,313
Cost of revenues:		
Patient service costs		15,427
Premium service costs	8,203	3,908
Total cost of revenues	8,203	19,335
Gross profit	4,392	5,978
Selling and administrative expenses	2,749	4,286
Provision for doubtful accounts		1,189
Restructuring and other charges	(700)	
Amortization of intangible assets and excess cost over fair value of net assets acquired	242	702
Income (loss) from operations	2,101	(199)
Interest expense - related parties		1,020
Interest expense - net	35	476
Income (loss) before income taxes	2,066	(1,695)
Provision for income taxes	68	62
Net income (loss)	$ 1,998	$ (1,757)
Net income (loss) per common share:		
Basic	$ 0.20	$ (0.17)
Diluted	$ 0.19	$ (0.17)
Weighted average shares outstanding:		
Basic	10,138,552	10,079,485
Diluted	10,524,061	10,079,485

INTEGRA, INC.
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS	June 30, 1999	December 31, 1998
	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 1,384	$ 2,452
Restricted cash	400	
Accounts receivable, net of allowance for doubtful accounts of $71 in 1999 and $73 in 1998	940	591
Other accounts receivable	251	531
Other current assets	464	442
Total current assets	3,439	4,016
Property and equipment, net of accumulated amortization of $1,159 in 1999 and $833 in 1998	1,987	1,683
Intangible assets and excess cost over fair value of net assets acquired, net of accumulated amortization of $1,445 in 1999 and $1,203 in 1998	10,252	10,320
Other assets, net	20	16
	$ 15,698	$ 16,035
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt		$ 413
Accounts payable	$ 183	594
Accrued expenses and other current liabilities	8,195	8,457
Total current liabilities	8,378	9,464
Long-term debt		1,250
Other long-term liabilities		3
Deferred income tax liability	355	356
Total liabilities	8,733	11,073
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value, 20,000,000 shares authorized; issued 10,138,552 in 1999 and 1998	101	101
Capital in excess of par value	87,508	87,508
Accumulated deficit	(80,644)	(82,642)
Deferred compensation		(5)
Total stockholders' equity	6,965	4,962
	$ 15,698	$ 16,035

INTEGRA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

(UNAUDITED)

	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
Cash flows from operating activities:		
Net income (loss)	$ 1,998	$ (1,757)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operations:		
Depreciation and amortization	568	1,032
Provision for doubtful accounts		1,189
Issue of warrant for financing guarantee		880
Non-cash portion of restructuring and other charges	(700)	
Changes in assets and liabilities, net of effects of businesses acquired:		
Increase in accounts receivable	(349)	(190)
Increase in restricted cash	(400)	
(Increase) decrease in other current assets	(137)	70
Decrease in accounts payable	(411)	(1,810)
Increase (decrease) in accrued expenses and other current liabilities	1,006	(1,705)
Increase in other assets and other liabilities	(22)	(31)
Net cash provided by (used in) operating activities	1,553	(2,322)
Cash flows from investing activities:		
Additional payments for businesses acquired in prior years	(441)	(4,775)
Net proceeds from disposition of businesses		24,129
Purchases of property and equipment	(630)	(247)
Net cash used in investing activities	(1,071)	19,107
Cash flows from financing activities:		
Proceeds from borrowings		2,700
Principal payments on long-term obligations	(1,550)	(16,581)
Net cash (used in) provided by financing activities	(1,550)	(13,881)
Net (decrease) increase in cash and cash equivalents	(1,068)	2,904
Cash and cash equivalents at beginning of period	2,452	2,154
Cash and cash equivalents at end of period	$ 1,384	$ 5,058
Supplemental disclosures of cash flow information:		
Interest paid	$ 47	$ 812
Income taxes paid	$ 171	$ 88

INTEGRA, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	COMMON SHARES NUMBER	COMMON SHARES PAR VALUE	CAPITAL IN EXCESS OF PAR VALUE	ACCUMULATED DEFICIT	DEFERRED COMPENSATION	TOTAL
Balance at December 31, 1998	10,139	$101	$87,508	$(82,642)	$(5)	$4,962
Amortization of deferred compensation					5	5
Net income				1,998		1,998
Balance at June 30, 1999 (unaudited)	10,139	$101	$87,508	$80,644	$--	$6,965

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1999
(Dollars in thousands, except share and per share data)

(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying consolidated financial statements are unaudited. These statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and should be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended December 31, 1998 included in its Form 10-K filed with the Securities and Exchange Commission on March 30, 1999. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of Company management, the consolidated financial statements for the unaudited interim periods presented include all adjustments, consisting only of normal recurring adjustments, necessary to present a fair statement of the results for such interim periods.

Certain prior period amounts have been reclassified to conform to the current period presentation.

Operating results for the three and six month periods ended June 30, 1999 are not necessarily indicative of the results that may be expected for a full year or any portion thereof.

NOTE 2 - INCOME TAXES

The provision for income taxes is based on the Company's estimated effective income tax rate for 1999. At December 31, 1998, the Company had net operating loss carryforwards for federal income tax purposes of approximately $36,000. The Company will only be able to use the net operating loss carryforwards against future taxable earnings of the Company. In addition, as specified in the Internal Revenue Code, the Company's ability to use certain of the net operating loss carryforwards is limited as they were acquired by the Company in a purchase of the stock of other companies. The carryforwards expire in varying amounts through 2013. A valuation reserve has been established against the potential future benefit of the net operating loss carryforwards and other deferred tax assets.

(Dollars in thousands, except share and per share data)

NOTE 3 - ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	June 30, 1999	December 31, 1998
Medical claims payable	$3,531	$1,359
Salaries and vacation..................................	580	614
Acquisition and sale related costs	515	1,070
Restructuring costs......................................	572	1,421
Long-term care and provider billing reserves	2,030	3,018
Other...	967	975
	$8,195	$8,457

Medical claims payable primarily represents the liability for healthcare services authorized or incurred and not yet paid by the Company's managed behavioral healthcare business. Medical claims payable are estimated based upon authorized healthcare services, past claim payment experience for member groups, patient census data and other factors. Effective January 1, 1999, the Company implemented coverage on a capitated contract in New York State which covers over 350,000 members and is currently the Company's largest contract. The Company estimates the medical claims payable for this contract in a manner similar to it existing contracts, however, the Company has not yet fully developed its own historical experience with this contract. As the Company continues to provide coverage and pay claims for this contract, management will make necessary revisions in the estimates used to determine medical claims payable. While the Company believes its estimate of the liability for medical claims payable is adequate, actual results could differ from such estimates.

NOTE 4 - RESTRUCTURING AND OTHER CHARGES

In prior years, the Company established reserves in connection with its restructurings and the exit of long-term care and outpatient operations. As part of its ongoing evaluation of these reserves, at June 30, 1999, the Company determined, based on its assessment of all remaining open matters, that the Company was over accrued for these matters by $700. This change in estimate is separately reflected in the Statement of Operations under "Restructuring and Other Charges." The Company believes the remaining reserves for these matters are adequate at June 30, 1999, however, as the Company continues to pursue resolution of open matters, actual results could differ from such estimates.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

OVERVIEW

The Company provides managed behavioral healthcare services through full and shared risk arrangements with employers, health plans and managed care organizations to perform behavioral health services on a capitated per member per month basis. In addition, the Company provides an array of managed behavioral health services including employee assistance programs, third party clinical case management and claims administration. Integra's contract service areas are principally concentrated in Connecticut, Delaware, Maryland, New Jersey, New York, Pennsylvania, Rhode Island, Virginia and Tennessee.

SALE AND DIVESTITURE OF PATIENT SERVICE AND PROVIDER SEGMENT

In December 1997, the Company announced its plans to sell and divest its outpatient behavioral health group practice operations. The Company entered into an agreement to sell substantially all of the assets of the outpatient behavioral practice business (the "Sale"), except for practices located in the Western region of the United States which the Company sold or shut down. The Sale was completed effective May 18, 1998 and resulted in the divestiture by the Company of substantially all the assets and business of the Company's outpatient behavioral health practices. As of December 31, 1997, the outpatient behavioral health practice business accounted for approximately eight-four percent (84%) of the assets of the Company (before the impact of the write down of assets held for sale and the impact of the restructuring charge); and for the year ended December 31, 1997, approximately eighty-three percent (83%) of the Company's net revenues. As a result of the Sale, the Company is significantly smaller in terms of revenues and assets. Patient service revenues and patient service costs pertained solely to the outpatient business and as a result of the exit of this segment, the Company no longer performs direct patient service and hence has no patient service revenues or patient service costs.

RESULTS OF OPERATIONS

PREMIUM REVENUE
Premium revenue pertains to the Company's managed behavioral healthcare business which maintains a portfolio of agreements with managed care organizations and corporations to provide inpatient and outpatient behavioral health services. Revenues are primarily generated by capitated managed behavioral healthcare and employee assistance programs. The fees are defined by contract and are primarily calculated on a fixed per member per month fee. Revenues under these contracts are recorded in the month for which the member is entitled to services. Generally, these contracts are on a one to three year basis subject to cancellation by either party without cause at any time with thirty to ninety days written notice.

Premium revenue for the three and six month periods ended June 30, 1999 increased from the corresponding periods of the prior year primarily due to one new contract in New York State for which the Company implemented coverage on a capitated basis effective January 1, 1999.

PREMIUM SERVICE COSTS

Premium service costs are primarily comprised of medical claims and personnel costs associated with the Company's service delivery, support and management of its portfolio of behavioral healthcare contracts. The Company estimates the medical claims cost of providing services under these agreements, including a reserve for services incurred, but not reported, based upon authorized healthcare services, past claim payment experience for member groups, patient census data and other factors. The Company typically does not subcapitate the risk of providing services under these contracts, but the Company arranges discounted fee-for-service rates with independent inpatient and outpatient behavioral health providers.

Under capitated contracts, the Company is responsible for ensuring appropriate access to care and bears the risk for utilization levels and pricing of the cost of services performed under these contracts. The Company believes the future revenues under these contracts will exceed the costs of services it will be required to provide under the terms of the contracts. An underestimation in the utilization or price of services for these contracts could result in material losses to the Company. Historically, Integra has managed these capitated contracts profitably. The Company maintains no re-insurance against the risk of loss under these contracts.

Premium service costs increased for the three and six month periods ended June 30, 1999 from the corresponding periods in the prior year. This increase is primarily a result of the coverage implemented on new contracts.

SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses are primarily comprised of corporate office, sales and administration. Selling and administrative expenses increased to $1,462 for the three months ended June 30, 1999 from $1,221 for the same period in 1998. The increase is essentially a result of increased investment in sales and marketing personnel. Selling and administrative expenses for the six month period ended June 30, 1999 decreased to $2,749 from $4,286 for the same period in 1998. This decrease is essentially the result of the impact of the operations sold and the downsizing of the corporate office in connection with the Sale.

PROVISION FOR DOUBTFUL ACCOUNTS

There was no provision for doubtful accounts for the three or six month periods ended June 30, 1999 as compared to $419 for the three months ended June 30, 1999 and $1,189 for the six months ended June 30, 1999. This decrease is a result of the Sale and exit of the outpatient provider operations. The Company's managed behavioral healthcare business has historically had minimal provision for doubtful accounts.

RESTRUCTURING AND OTHER CHARGES

In prior years, the Company established reserves in connection with its restructurings and the exit of long-term care and outpatient operations. As part of its ongoing evaluation of these reserves, at June 30, 1999, the Company determined, based on its assessment of all remaining open matters, that the Company was over accrued for these matters by $700. This change in estimate is separately reflected in the Statement of Operations under "Restructuring and Other Charges." The Company believes the remaining reserves for these matters are adequate at June 30, 1999, however, as the Company continues to pursue resolution of open matters, actual results could differ from such estimates.

INTEREST EXPENSE - RELATED PARTIES

In 1998, as a contingency plan in the event the Sale had not been not completed, the Company entered into an agreement with certain investment partnerships (the "Investment Partnerships") which are significant stockholders of the Company and are managed by Foster Management Company, an affiliated party, to obtain their commitment to guarantee an additional $7,000 of financing. This amount represented the Company's estimated additional cash needs during 1998 for contingent payments, seller notes and for restructure related activities. Under the terms of the agreement, the Investment Partnerships were to receive the following: (i) a commitment fee of 2% of the guaranteed amount; (ii) a draw down fee of 2% on borrowings in excess of $5,000; (iii) an unused commitment fee of 1/2% per annum; and (iv) warrants to purchase 400,000 shares of common stock of the Company at a price of $0.05 per share (the "Integra Warrants") or, in the event the Sale was not consummated, a transaction fee of $3,500 payable on April 30, 1999. With the Sale completed in 1998, the cost to the Company of this guarantee was $140 in cash paid to the Investment Partnerships and a non-cash charge of approximately $880 which represents the difference between the exercise price of the Integra Warrants and the fair market value of the underlying Company Common Stock on the closing date of the Sale. These charges, which are non-recurring in nature, have been recorded in the Company's results of operations for the quarter ending June 30, 1998.

INTEREST EXPENSE - NET

Interest expense, net, decreased for the three and six month periods ended June 30, 1999 from the corresponding periods in the prior year. This decrease is primarily due to the pay down of bank debt in May 1998 with proceeds from the Sale to PsychPartners.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operations was $1,553 for the six months ended June 30, 1999, compared to net cash used in operations of ($2,322) for the same period in the prior year. Unrestricted cash and cash equivalents decreased to $1,384 at June 30, 1999 from $2,452 at December 31, 1998. At June 30, 1999, the Company also had $400 in cash which is contractually restricted as a reserve for medical claims payable.

At June 30, 1999, the Company had a working capital deficit of $4,939. The deficit is primarily attributable to accrued liabilities of $2,967 which pertain to the exit of the outpatient provider behavioral group practice business and reserves established for long-term care and other provider billing matters. Although these amounts are classified as current due to their nature, the Company does not expect that all of these amounts will require payment in the next year. The remainder of the Company's accrued liabilities are operating in nature.

The Company has established a Credit Facility with PNC Bank. At June 30, 1999, borrowing availability under this Credit Facility was approximately $9,000. The Credit Facility is secured by substantially all of the assets of the Company. If necessary, the Company will use its Credit Facility to fund working capital requirements.

The Company believes that the cash flow generated by the Company's operations together with its existing cash and availability of additional borrowings under its Credit Facility will be sufficient to meet the Company's cash requirements in 1999.

The Company's current ratio, working capital and debt to equity ratio are set forth below for the dates indicated:

	June 30, 1999	December 31, 1998
Current Ratio................................	.41:1	.42:1
Working Capital Deficit.....................	$(4,939)	$(5,448)
Debt to Equity..............................	--	.34:1

INFLATION

A significant portion of the Company's operating expenses have been subject to inflationary increases, including clinical and administrative salaries and rent expense. Based on management's assessment, the Company has historically been unable to substantially offset inflationary increases through price increases. The Company believes it has somewhat mitigated the effect of inflation by expanding services and increasing operating efficiencies. There can be no assurance that the Company will be able to offset future inflationary increases in expenses, if any, which would result in a dilutive impact on the Company's future earnings.

NEW CONTRACT

Effective January 1, 1999, the Company implemented coverage of a full-risk capitated contract with a health plan covering over 350,000 members. The Company expects that this contract will generate over $11,000 in annual revenues and it is currently the Company's largest contract. Profitability under this contract will depend upon the Company's ability to manage the utilization of services within the premiums received. An underestimation in the expected utilization of services for this contract could result in a material loss to the Company.

POTENTIAL IMPACT OF YEAR 2000 COMPUTER ISSUES

The Year 2000 problem is primarily the result of two potential malfunctions that could have an impact on the Company's systems and equipment. The first problem arises due to computers being programmed to use two rather than four digits to define the applicable year. The second problem arises in embedded chips where microchips and microcontrollers have been designed using two rather than four digits to define the applicable year. Certain of the Company's computers, programs, and building infrastructure components (e.g. alarm systems and HVAC systems) are date sensitive and may recognize a date using "00" as the Year 1900 rather than the Year 2000.

The Company relies on information technology ("IT") systems and other systems and facilities such as telephones, building access control systems and heating and ventilation equipment ("Embedded Systems") to conduct its business. These systems are potentially vulnerable to Year 2000 problems due to their use of date information. The Company also has business relationships with customers and healthcare providers and other critical vendors who are themselves reliant on IT and Embedded Systems to conduct their businesses.

State of Readiness

The Company's internal IT systems are largely centralized and consist primarily of purchased software. The Company's IT hardware infrastructure is built mainly around IBM PC compatible servers and desktop systems. The Company's IT software primarily utilizes Microsoft systems including SQL Server, Windows NT, Internet Information Server, Exchange and Office. The Company believes these systems are either compliant or, with soon to be released "service packs" from Microsoft, will be compliant by September 30, 1999. The Company's clinical and claims administration software has been certified by the vendor as being Year 2000 compliant. The Company intends to complete testing of this system during the third quarter of 1999. Year 2000 remediation costs incurred in 1998 were approximately $100 and are estimated at under $250 in 1999.

External Relationship

The Company also faces the risk that one or more of its critical suppliers or customers ("External Relationships") will not be able to interact with the Company due to the third party's inability to resolve its own Year 2000 issues, including those associated with its own External Relationships. The Company has been assessing its External Relationships and risk rating each External Relationship based upon the potential business impact, available alternatives and cost of substitution. The Company is attempting to determine the overall Year 2000 readiness of its External Relationships. In the case of significant customers and mission critical suppliers such as banks, telecommunications providers and other utilities and IT vendors, the Company is engaged in discussions with the third parties and is attempting to obtain detailed information as to those parties' Year 2000 plans and state of readiness. The Company, however, does not have sufficient information at the current time to predict whether its External Relationships will be Year 2000 ready.

Risks and Contingency/Recovery Planning

If the Company's Year 2000 issues were unresolved, it is possible the Company would not have the ability to accurately and timely authorize and process benefits and claims, accurately bill customers, assess claims exposure, determine liquidity requirements, report accurate data to management, stockholders, customers, regulators and others, and would be subject to business interruptions or shutdowns, financial losses, reputational harm, loss of significant customers, increased scrutiny by regulators and litigation related to Year 2000 issues. The Company is attempting to limit the potential impact of the Year 2000 by monitoring the progress of its own Year 2000 project and those of its critical External Relationships and by developing contingency/recovery plans. The Company cannot guarantee that it will be able to resolve all of its Year 2000 issues. Any critical unresolved Year 2000 issues of the Company or its External Relationships could have a material adverse effect on the Company's results of operations, liquidity or financial condition.

The Company is developing contingency/recovery plans aimed at maintaining the continuity of critical business functions before and after December 31, 1999. As part of that process, the Company is developing manual work alternatives to automated processes which will be designed to maintain business continuity. These manual alternatives presume, however, that basic infrastructure such as electrical power and telephone service, as well as purchased systems which are advertised to be Year 2000 compliant by their manufacturers (primarily IT hardware and software) will remain unaffected by the Year 2000 problem.

CAUTIONARY STATEMENT

Matters discussed above contained forward-looking statements that are based on the Company's estimates, assumptions and projections. Major factors which could cause results to differ materially from those expected by management include the timing and nature of reimbursement changes, the nature of changes in laws and regulations that govern various aspects of the Company's business, new criteria adopted to determine medical necessity for behavioral health services, the outcome of post-payment reviews of the Company's billings to Medicare patients in long-term care facilities, Year 2000 issues, pricing of managed care and other third party contracts, the utilization and cost of services under the Company's capitated contracts, the direction and success of competitors, management retention and unanticipated market changes.

PART II

ITEM 1 - LEGAL PROCEEDINGS

From time to time, the Company is a party to certain claims, suits and complaints which arise in the course of business.

In March 1998, the Company received notification that the Medicare Intermediary in California completed a post payment medical review of billings previously submitted and paid between 1990 and 1994. Based on the results of their review, the Intermediary has requested a refund of approximately $1,200,000. Services were denied primarily on the basis of medical necessity and incomplete documentation. The Company has requested an administrative hearing. At December 31, 1997, the Company fully reserved the above amount.

In April 1998, the Company received notice that the Office of the Attorney General of New York State ("the State") was conducting an audit of the New York Medicaid billings of one of the outpatient provider operations with which it had an Administrative Services Agreement. The State was investigating whether the Company had any liability arising from the operation of, and its relationship with, that provider. In October 1998, the Company terminated its agreements with that provider. In May 1999, the Company reached a settlement agreement with the State which resolves all claims against the Company relating to this matter. Terms of the settlement include a payment of $382,000 plus $18,000 of interest. These amounts were fully accrued as of June 30, 1999.

Although management believes that established reserves for the above matters are sufficient, it is possible that the final resolution of these matters may exceed the established reserves by an amount which could be material to the Company's results of operations. Due to the nature of these matters, the Company cannot predict when these matters will be resolved. The Company does not believe the ultimate outcome of these matters will have a material adverse effect on the Company's overall financial condition, liquidity or operations.

Currently, there are no other such claims, suits or complaints that, in the opinion of management, would have a material adverse effect on the Company's financial position, results of operations or liquidity.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On June 23, 1999, the Company held its 1999 Annual Meeting of Shareholders. At the Annual Meeting, the following matters were submitted to a vote of shareholders:

1. The following eight individuals, constituting the full Board of Directors of the Company, were nominated and elected to serve as the directors of the Company:

John H. Foster	FOR:	9,118,935
	WITHHOLD AUTHORITY:	21,680
Lawrence M. Davies	FOR:	9,118,935
	WITHHOLD AUTHORITY:	21,680
Eric E. Anderson, Ph.D.	FOR:	9,118,935
	WITHHOLD: AUTHORITY:	21,680
Harvey V. Fineberg, M.D.	FOR:	9,118,935
	WITHHOLD AUTHORITY:	21,680
Timothy E. Foster	FOR:	9,118,935
	WITHHOLD AUTHORITY:	21,680
Irwin Lehrhoff, Ph.D.	FOR:	9,118,935
	WITHHOLD AUTHORITY:	21,680
R. Bruce Mosbacher	FOR:	9,118,935
	WITHHOLD AUTHORITY:	21,680
Shawkat Raslan	FOR:	9,118,935
	WITHHOLD AUTHORITY:	21,680

2. The holders of 9,134,265 shares of common stock voted in favor of, the holders of 6,350 shares of common stock voted against, with respect to, the ratification of the selection of PricewaterhouseCoopers LLP, independent certified public accountants, to serve as independent accountants for the Company.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

a) The exhibits required to be filed as part of this Quarterly Report on Form 10-Q are contained in the attached Index to Exhibits.

b) Current Reports on Form 8-K: None

SIGNATURES

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

INTEGRA, INC.
(registrant)

August 12, 1999	*/s/ Mark D. Gibson*
(Date)	*Mark D. Gibson* *Chief Financial Officer*

INDEX TO EXHIBITS

27 Financial Data Schedule, which is submitted electronically to the Securities and Exchange Commission for information only and not filed.

ARTICLE 5

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AT JUNE 30, 1999 AND THE CONSOLIDATED STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30,1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1000

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD START	APR 01 1999
PERIOD END	JUN 30 1999
CASH	1,384
SECURITIES	0
RECEIVABLES	1,011
ALLOWANCES	71
INVENTORY	0
CURRENT ASSETS	3,439
PP&E	3,146
DEPRECIATION	1,159
TOTAL ASSETS	15,698
CURRENT LIABILITIES	8,378
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	101
OTHER SE	6,864
TOTAL LIABILITY AND EQUITY	15,698
SALES	0
TOTAL REVENUES	6,239
CGS	0
TOTAL COSTS	3,991
OTHER EXPENSES	1,462
LOSS PROVISION	0
INTEREST EXPENSE	25
INCOME PRETAX	1,340
INCOME TAX	37
INCOME CONTINUING	1,303
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	1,303
EPS BASIC	0.13
EPS DILUTED	0.12