

## United American Healthcare Corporation Reports Fiscal 2006 First Quarter Financial Results

### Total Revenues Were \$4.5 Million; Net Earnings Were \$403,000 or \$0.05 per Share

DETROIT, Nov 04, 2005 /PRNewswire-FirstCall via COMTEX News Network/ -- United American Healthcare Corporation (Nasdaq: UAHC), a pioneer in health care services for Medicaid recipients, announced today its financial results for its fiscal 2006 first quarter ended September 30, 2005.

Total revenues for the fiscal quarter ended September 30, 2005 were \$4.5 million, down from revenues of \$5.4 million in the first fiscal quarter of 2005. The decrease in revenues, year-over-year, was principally a result of a reduction in administrative fees from TennCare effective July 1, 2005 pursuant to a contract amendment between the Company's subsidiary, UAHC Health Plan of Tennessee, Inc. (UAHC-TN), and the State of Tennessee, doing business as TennCare. Through the amendment, TennCare implemented a reduction in administrative fees and also implemented a modified risk arrangement for UAHC-TN, the same as for all of TennCare's contracted managed care organizations, which are now at risk for losing up to 10% of administrative fee revenue and may receive up to 15% incentive bonus revenue, based on performance relative to benchmarks.

Also a factor in the decrease in revenues for the fiscal quarter ended September 30, 2005 was TennCare's disenrollment of non-medically needy adults who are not eligible for Medicaid from TennCare coverage throughout Tennessee. As a result, UAHC-TN lost approximately 5,000 members in its fiscal first quarter, and expects to lose an additional 5,000-7,000 members over the remainder of the current fiscal year, primarily in the second fiscal quarter, representing its only remaining working uninsured and uninsurable adult members.

Net earnings were \$0.4 million, or \$0.05 per basic common share, for the fiscal quarter ended September 30, 2005, compared to the immediately preceding quarter's net earnings of \$0.4 million, or \$0.06 per share, and down from the \$1.5 million, or \$0.20 per basic common share, reported in the first fiscal quarter ended September 30, 2004. The decrease, year-over-year, was principally due to a decrease in administrative fee revenues, coupled with an increase in general and administrative expenses, which increased 8% over the prior year, due primarily to the administrative supervision order applicable to UAHC-TN since April 20, 2005, legal fees associated with ongoing litigation, and an increase in claims processing costs.

William C. Brooks, President, CEO and Chairman of United American Healthcare, commented, "We are pleased with our results for the first quarter of this year as we remained profitable despite the modified TennCare program and continued to deliver excellent service to our TennCare enrollees. We continue to work closely and effectively with the State of Tennessee to meet all regulatory requirements while we remain under administrative supervision."

Mr. Brooks, concluded, "We remain excited about the opportunities ahead for UAHC in fiscal 2006. Over the past three years we have worked diligently to position the company to succeed in a modified risk arrangement, and we are confident in our ability to operate profitably under the modified TennCare program. We were also very pleased to receive last quarter an extension of our TennCare contract through June 30, 2006, which we believe is a testament to our dedicated employees. We will continue to look for expansion opportunities, while focusing on delivering profitable results for the remainder of the year."

At September 30, 2005, the Company had cash and cash equivalents and short-term marketable securities of \$5.9 million, compared to \$13.6 million at June 30, 2005. The decline in cash and cash equivalents is primarily due to an increase in TennCare statutory reserve requirements and funding of two escrow agreements.

#### Fiscal 2006 Second Quarter Guidance

The following statements are based on the Company's current expectations. These statements are forward-looking, and actual results may differ materially. Except as expressly set forth below, these statements do not include the potential impact of any mergers, acquisitions or other business combinations that may be closed or entered into after September 30, 2005.

UAHC anticipates fiscal 2006 second quarter revenue to be in the range of \$3.7 - \$4.2 million and net earnings to be in the range of \$0.00 - \$0.03 per basic share.

#### Corporate Conference Call

The Company will host a conference call today at 8:30 a.m. EST (5:30 a.m. PST) to review the first fiscal quarter financial results and other corporate events. William Brooks, UAHC's Chairman, President and CEO, and Stephen Harris, UAHC's CFO,

will be on-line to discuss these results and take part in a Q&A session.

To access the live conference call, dial 800-257-2236, and give the Company name, "United American Healthcare." Participants are asked to call the assigned number approximately 10 minutes before the conference call begins.

For those unable to participate in the conference call, a replay of the call will be available two hours after the call for the following five business days by dialing 800-405-2236 within the U.S. or by dialing 305-590-3000 internationally and entering the following pass code: 11042296#. Also, an instant replay of the conference call will be available over the Internet at <http://www.uahc.com> in the Investor Relations area of the site or by going to <http://www.mkr-group.com>.

#### About United American Healthcare

United American Healthcare is a full-service healthcare management company, pioneering the delivery of healthcare services to the Medicaid population since 1985. The Company owns and manages UAHC Health Plan in western Tennessee, including Memphis. UAHC serves 123,500 enrollees in Tennessee. For more information on the Company, please visit the Company website at [www.uahc.com](http://www.uahc.com).

Forward-looking statements by United American Healthcare Corporation, including those in this announcement, involve known and unknown risks, which may cause actual results and corporate developments to differ materially from those expected. Factors that could cause results and developments to differ materially from expectations include, without limitation, the effects of state and federal regulations, the effects of acquisitions and divestitures, and other risks described from time to time in each of United American Healthcare's SEC reports, including quarterly reports on Form 10-Q, annual reports on Form 10-K, and reports on Form 8-K.

United American Healthcare Corporation and Subsidiaries  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)  
 (in thousands, except per share data)

	Three months ended	
	September 30,	
	2005	2004
Revenues		
Fixed administrative fees	\$4,490	\$5,128
Medical premiums	--	19
Interest and other income	18	261
Total revenues	4,508	5,408
Expenses		
Medical services	--	19
General and administrative	4,018	3,737
Depreciation and amortization	33	49
Interest expense	--	8
Total expenses	4,051	3,813
Earnings from continuing operations before income taxes	457	1,595
Income tax expense	54	--
Earnings from continuing operations	403	1,595
Discontinued operations		
Loss from discontinued operations	--	(129)
Net earnings	\$403	\$1,466
Net earnings per common share - basic		
Earnings from continuing operations	\$0.05	\$0.22
Loss from discontinued operations	--	(0.02)
Net earnings per common share	\$0.05	\$0.20
Weighted average shares outstanding	7,459	7,391
Net earnings per common share - diluted		
Earnings from continuing operations	\$0.05	\$0.21
Loss from discontinued operations	--	(0.02)
Net earnings per common share	\$0.05	\$0.19

Weighted average shares outstanding 7,583 7,443

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

United American Healthcare Corporation and Subsidiaries  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (in thousands, except share data)

	September 30, 2005 (Unaudited)	June 30, 2005
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$3,337	\$9,843
Marketable securities	2,605	3,730
Accounts receivable - State of Tennessee	1,240	1,360
Other receivables	487	583
Prepaid expenses and other	197	172
Deferred income taxes	2,169	1,950
Total current assets	10,035	17,638
Property and equipment, net	150	179
Goodwill	3,452	3,452
Marketable securities	7,110	2,380
Restricted Assets	2,721	--
Other assets	586	586
Total assets	\$24,054	\$24,235
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Medical claims payable	\$156	\$172
Accounts payable and accrued expenses	904	1,096
Accrued compensation and related benefits	446	711
Accrued rent	135	235
Other current liabilities	1,529	1,538
Total current liabilities	3,170	3,752
Total liabilities	3,170	3,752
<b>Shareholders' equity</b>		
Preferred stock, 5,000,000 shares authorized; none issued	--	--
Common stock, no par, 15,000,000 shares authorized; 7,471,835 and 7,450,235 issued and outstanding at September 30, 2005 and June 30, 2005, respectively	12,583	12,476
Retained earnings	8,448	8,047
Accumulated other comprehensive loss, net of income taxes	(147)	(40)
Total shareholders' equity	20,884	20,483
	\$24,054	\$24,235

**SOURCE** United American Healthcare Corporation

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