

United American Healthcare Corporation Announces Fiscal 2008 Third Quarter Results

DETROIT, May 13, 2008 /PRNewswire-FirstCall via COMTEX News Network/ -- United American Healthcare Corporation (Nasdaq: UAHC), which owns and provides comprehensive management services to a full-service managed care organization in Tennessee, today announced financial results for its third fiscal quarter ended March 31, 2008.

Revenues increased 82 percent to \$8.3 million for the third fiscal quarter ended March 31, 2008, compared with revenues of \$4.6 million for the third quarter of the prior fiscal year. The increase in third fiscal quarter revenue is primarily attributable to medical premiums revenues of the Company's subsidiary, UAHC Health Plan of Tennessee (UAHC-TN), from its Medicare Advantage "Special Needs Plan" (MA-SNP), which comprised 35 percent of the Company's total revenues in the fiscal 2008 third quarter. The increase in MA-SNP revenues during the third fiscal quarter helped offset a 6 percent enrollment-related decrease in TennCare-related fixed administrative fee revenue from the prior fiscal year's third quarter. In addition, UAHC-TN had variable administrative revenues associated with the TennCare modified risk arrangement of \$1.4 million in the fiscal 2008 third quarter. As of March 31, 2008, UAHC-TN's total enrollment was approximately 101,044 members, down from approximately 109,000 members a year earlier.

Total expenses increased 130 percent to \$10.5 million in the fiscal 2008 third quarter, compared to \$4.6 million in the prior fiscal year's third quarter, principally due to medical expenses related to UAHC-TN's MA-SNP, which was launched in Jan. 2007, and a goodwill impairment charge as discussed below.

On April 22, 2008, UAHC-TN learned that it will no longer have a TennCare contract to serve Medicaid beneficiaries in the Western Grand Region of Tennessee when its current TennCare contract expires. Its TennCare contract represented 59 percent of the Company's total revenues in the nine months ended March 31, 2008. UAHC-TN's TennCare members are expected to transfer to other managed care organizations on November 1, 2008, after which UAHC-TN will perform its remaining contractual obligations through its TennCare contract expiration date (which it expects will be extended to June 30, 2009).

The Company reported a net loss of \$3.8 million, or (\$0.43) per basic share, in the 2008 fiscal third quarter, compared with a net loss of \$0.04 million, or (\$0.00) per basic share, in the comparable quarter of fiscal 2007. The decline in third quarter profitability was primarily attributable to a \$3.5 million goodwill impairment charge resulting from the pending expiration of UAHC-TN's TennCare contract, in addition to a \$1.5 million charge related to the write-down of a deferred tax asset also resulting from the pending expiration of the TennCare contract. Both the goodwill impairment charge and the deferred tax asset charge are non-cash charges, in accordance with GAAP guidelines.

Excluding the goodwill impairment and the deferred tax asset charges recorded in the third fiscal quarter ended March 31, 2008, the Company reported pro-forma net income of \$1.2 million, or \$0.14 per basic share, in that quarter.

"We remain committed to maintaining the highest level of service to our members throughout the duration of our TennCare contract," said William C. Brooks, president, chairman and CEO of United American Healthcare. "Although we are disappointed by not obtaining a new TennCare contract, we are currently evaluating a short list of strategic alternatives identified to help offset the anticipated material decline in our Medicaid revenues beginning Nov. 1, 2008, while acting in the best interests of the Company and its shareholders.

Brooks continued: "Given our ample liquidity and extensive healthcare experience, we are carefully weighing those opportunities which best leverage our competitive strengths, while also preserving shareholder value."

"As of May 1, 2008, UAHC-TN's MA-SNP enrollment included 859 members, partly as a result of our ongoing marketing efforts focused on the 'dual-eligible' population in Shelby County, Tennessee," concluded Brooks.

United American Healthcare reported cash, cash equivalents and short-term marketable securities of \$19.2 million as of March 31, 2008, compared to \$13.3 million as of March 31, 2007. The Company remains debt-free.

Fiscal 2008 Third Quarter Conference Call

United American Healthcare Corporation will host a conference call at 4:30 p.m. Eastern Time today to discuss these results and current business trends. To access the live conference call, please dial 1-888-337-8202 and provide the conference passcode 5811948. A replay of the call will be available through Tuesday, June 3, 2008. To access the replay, please call 888-203-1112 and provide conference passcode 5811948.

Participation in the call's question-and-answer session will be limited to institutional investors and analysts. Individual investors and retail brokers are invited to listen via a live webcast. To listen, please go to the investor section of the Company's website at www.uahc.com. The webcast will be archived on the United American Healthcare website for 90 days from the date of the call.

About United American Healthcare Corporation

United American Healthcare Corporation (UAHC) is a full-service healthcare management company, pioneering the delivery of healthcare services to Medicaid recipients since 1985. UAHC owns and manages UAHC Health Plan, which is based in western Tennessee and includes the Memphis market. For more information, please visit the Company's web site at www.uahc.com.

United American Healthcare Corporation Safe Harbor Statement

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 | | Nine months ended | |
|--|--------------------|----------|-------------------|----------|
| | March 31, | | March 31, | |
| | 2008 | 2007 | 2008 | 2007 |
| Revenues | | | | |
| Fixed administrative fees | \$3,612 | \$3,833 | \$10,995 | \$11,795 |
| Variable administrative fees | 1,438 | - | 1,718 | - |
| Medical premiums | 2,900 | 372 | 7,689 | 372 |
| Interest and other income | 325 | 345 | 1,109 | 780 |
| Total revenues | 8,275 | 4,550 | 21,511 | 12,947 |
| Expenses | | | | |
| Medical expenses | 2,538 | 325 | 6,953 | 325 |
| Marketing, general and administrative | 4,483 | 4,228 | 12,763 | 11,937 |
| Goodwill impairment | 3,452 | - | 3,452 | - |
| Depreciation and amortization | 58 | 27 | 149 | 86 |
| Total expenses | 10,531 | 4,580 | 23,317 | 12,348 |
| Earnings (loss) from operations before income taxes | | | | |
| Income tax expense | (2,256) | (30) | (1,806) | 599 |
| Net earnings (loss) | 1,514 | 9 | 1,635 | 78 |
| Net earnings (loss) | \$(3,770) | \$(39) | \$(3,441) | \$521 |
| Net earnings (loss) per common share - basic | | | | |
| Net earnings (loss) per common share | \$(0.43) | \$(0.00) | \$(0.40) | \$0.07 |
| Weighted average shares outstanding | 8,706 | 8,579 | 8,643 | 7,941 |

Net earnings (loss) per
common share - diluted

| | | | | |
|---|----------|----------|----------|--------|
| Net earnings (loss) per common share | \$(0.43) | \$(0.00) | \$(0.40) | \$0.06 |
| Weighted average shares outstanding | 8,706 | 8,579 | 8,643 | 8,284 |

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)

| | March 31, 2008 (Unaudited) | June 30, 2007 |
|---|----------------------------------|------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$10,399 | \$8,932 |
| Marketable securities | 8,774 | 5,296 |
| Accounts receivable - State of Tennessee, net | 1,129 | 1,455 |
| Interest receivable | 439 | 578 |
| Other receivables | 292 | 455 |
| Prepaid expenses and other | 251 | 511 |
| Deferred income taxes | 460 | 1,950 |
| Total current assets | 21,744 | 19,177 |
| Property and equipment, net | 519 | 357 |
| Goodwill | - | 3,452 |
| Marketable securities | 7,628 | 7,475 |
| Restricted assets | 421 | 2,721 |
| Other assets | 586 | 586 |
| Total assets | \$30,898 | \$33,768 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Medical claims payable | \$3,102 | \$576 |
| Accounts payable and accrued expenses | 938 | 3,142 |
| Accrued compensation and related benefits | 584 | 896 |
| Accrued rent | 101 | 135 |
| Unearned revenue | - | 279 |
| Other current liabilities | 1,175 | 1,099 |
| Total current liabilities | 5,900 | 6,127 |
| Commitments and contingencies | | |
| Total liabilities | 5,900 | 6,127 |
| Shareholders' equity | | |
| Preferred stock, 5,000,000 shares authorized; none issued | - | - |
| Common stock, no par, 15,000,000 shares authorized; 8,734,214 and 8,588,211 issued and outstanding at March 31, 2008 and June 30, 2007, respectively | 18,558 | 18,327 |

| | | |
|--|----------|----------|
| Paid in capital - stock options | 1,074 | 607 |
| Warrants | 444 | 444 |
| Retained earnings | 4,862 | 8,303 |
| Accumulated other comprehensive income (loss), net of deferred federal income taxes | 60 | (40) |
| Total shareholders' equity | 24,998 | 27,641 |
| Total liabilities and shareholders' equity | \$30,898 | \$33,768 |

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

SOURCE United American Healthcare Corporation

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