

United American Healthcare Corporation Announces Fiscal 2008 Fourth Quarter and Full Year Results

DETROIT, Sept 04, 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 fourth fiscal quarter and fiscal year ended June 30, 2008.

Revenues increased 31 percent to \$6.7 million for the fourth fiscal quarter ended June 30, 2008, compared with revenues of \$5.1 million for the fourth quarter of fiscal 2007. Total expenses remained the same at \$6.8 million in the fiscal 2008 fourth quarter, compared to the prior fiscal year's fourth quarter. The Company reported a net loss of \$0.6 million, or (\$0.08) per basic share, in the fiscal 2008 fourth quarter, compared with a net loss of \$1.6 million, or (\$0.19) per basic share, in the comparable quarter of fiscal 2007. The fiscal 2008 fourth quarter loss was primarily attributable to deferred tax asset expense resulting from the pending expiration of the TennCare contract.

The increase in fiscal 2008 fourth quarter revenue is primarily attributable to medical premiums revenues of UAHC-TN's Medicare Advantage "Special Needs Plan" ("MA-SNP"), which comprised 43 percent of the Company's total revenues in the quarter. The increase in MA-SNP revenues during the fiscal 2008 fourth quarter helped offset a 6 percent decrease in TennCare-related fixed administrative fee revenue from the prior fiscal year's fourth quarter, principally due to a decrease in TennCare enrollees. As of August 18, 2008, UAHC-TN's total TennCare membership enrollment was 99,821 members, down from 104,850 members a year earlier.

"Despite the business challenges we continued to face during the fourth quarter, we remain firmly committed to maintaining the high level of service and quality of care that our Medicaid members have come to expect from us," said William C. Brooks, president, chairman and CEO of United American Healthcare.

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. UAHC-TN's TennCare contract represented 57.6 percent of the Company's total revenues for the fiscal year ended June 30, 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 was recently extended to June 30, 2009. The Company expects costs from the contract discontinuation to be in the range of \$4.6 to \$6.6 million, including claims processing costs, employee severance packages, lease termination costs and other corporate general administrative expenses beginning November 2008 through June 2009.

For the fiscal year ended June 30, 2008, the Company reported revenues of \$28.2 million, a 56 percent increase over revenues of \$18.1 million for the 2007 fiscal year. The Company reported a net loss in fiscal 2008 of \$4.0 million, or (\$0.47) per basic share, compared with a net loss of \$1.1 million or (\$0.14) per basic share in fiscal 2007. The decrease in year-over-year profitability is primarily due to a goodwill impairment charge of \$3.5 million recorded in the third quarter of fiscal 2008 and the \$1.9 million deferred tax expense 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.

Variable administrative fees resulting in additional revenues based on UAHC-TN's performance under TennCare's modified risk arrangement ("MRA") were \$1.7 million for the fiscal year ended June 30, 2008, compared to \$0.5 million for fiscal 2007. Of the \$1.7 million MRA revenue recorded in fiscal 2008, \$0.3 million relates to the third quarter of fiscal 2006 and \$1.4 million relates to fiscal year 2007. If the Company receives additional MRA revenue for fiscal 2008, it will be recorded only upon receipt of final notification from TennCare.

MA-SNP medical premiums revenues were \$10.6 million for the 2008 fiscal year, compared to \$0.9 million for the 2007 fiscal year, under UAHC-TN's contact with the Centers for Medicare & Medicaid Services that became effective January 1, 2007. The percentage of such expenses to medical premiums revenues for UAHC-TN's MA-SNP -- the medical loss ratio ("MLR") -- was 87.8 percent for the fiscal year ended June 30, 2008.

"As of August 18, 2008, UAHC-TN's MA-SNP enrollment included 845 members, and represented \$10.6 million or 38 percent of our revenues in fiscal 2008," added Brooks. "While we remain committed to our UAHC Gold brand platform, we recognize that growing this portion of our business into a significantly profitable business segment will be more difficult in the short term given the pending discontinuance of our TennCare business."

As of June 30, 2008, United American Healthcare reported cash, cash equivalents and short-term marketable securities of

\$19.5 million, compared to \$14.2 million as of June 30, 2007. The Company remains debt-free.

"The Company's management team and board of directors have been reviewing a variety of strategic alternatives for the Company's longer term prospects," concluded Brooks. "In each instance, our focus is on optimizing shareholder value and leveraging our core competitive strengths. In considering the alternatives, we are currently guided by three objectives: a significant revenue contribution, positive EBITDA and long-term growth opportunities. We are also taking into account the Company's substantial liquidity and the regulatory, contractual and practical restrictions on our near-term access to those assets."

Fiscal 2008 Fourth 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 1-888-259-8884 and provide the conference passcode 2400115. A replay of the call will be available through Wednesday, Dec. 3, 2008. To access the replay, please call 888-203-1112 and provide conference passcode 2400115.

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 <http://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 <http://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
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year ended June 30,		
	2008	2007	2006
Revenues			
Fixed administrative fees	\$14,519	\$15,543	\$16,628
Variable administrative fees	1,718	502	361
Medical premiums	10,596	921	-
Interest and other income	1,375	1,099	1,125
Total revenues	28,208	18,065	18,114
Expenses			
Medical services	9,550	891	-
Marketing, general and administrative	16,897	16,580	16,472
Depreciation and amortization	211	122	128
Goodwill impairment	3,452	-	-
Provision for claims audit and other commitment	-	1,526	-
Total expenses	30,110	19,119	16,600

Earnings (loss) from operations before income taxes	(1,902)	(1,054)	1,514
Income tax expense	2,140	63	141
Net earnings (loss)	\$(4,042)	\$(1,117)	\$1,373
Net earnings (loss) per common share - basic			
Net earnings (loss) per common share	\$(0.47)	\$(0.14)	\$0.18
Weighted average shares outstanding	8,666	8,103	7,478
Net earnings (loss) per common share - diluted			
Net earnings (loss) per common share	\$(0.47)	\$(0.14)	\$0.18
Weighted average shares outstanding	8,666	8,103	7,628

See accompanying notes to the consolidated financial statements.

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

	June 30,	
	2008	2007
Assets		
Current assets		
Cash and cash equivalents	\$10,713	\$8,932
Marketable securities	8,774	5,296
Accounts receivable - State of Tennessee, net	1,093	1,455
Interest receivable	551	578
Other receivables	374	455
Prepaid expenses and other	299	511
Deferred income taxes	-	1,950
Total current assets	21,804	19,177
Property and equipment, net	472	357
Goodwill	-	3,452
Marketable securities	7,514	7,475
Restricted assets	421	2,721
Other assets	586	586
	\$30,797	\$33,768
Liabilities and Shareholders' Equity		
Current liabilities		
Medical claims payable	\$2,563	\$576
Accounts payable and accrued expenses	1,726	3,142
Accrued compensation and related benefits	896	896
Accrued rent	90	135
Unearned revenue	-	279
Other current liabilities	1,183	1,099
Total current liabilities	6,458	6,127
Total liabilities	6,458	6,127
Commitments and contingencies		
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 shares issued and outstanding at June 30, 2008 and June 30, 2007, respectively	18,558	18,327
Paid-in capital - stock options	1,153	607
Warrants	444	444
Retained earnings	4,261	8,303
Accumulated other comprehensive loss, net of deferred federal income taxes	(77)	(40)
Total shareholders' equity	24,339	27,641
	\$30,797	\$33,768

See accompanying notes to the consolidated financial statements.

SOURCE United American Healthcare Corporation

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