

## United American Healthcare Corporation Announces Fiscal 2009 Second Quarter Results

DETROIT, Feb 05, 2009 /PRNewswire-FirstCall via COMTEX News Network/ -- United American Healthcare Corporation (Nasdaq: UAHC), which owns and provides comprehensive management services to a managed care organization in Tennessee, today announced financial results for its fiscal second quarter ended Dec. 31, 2008.

Revenues decreased \$2.2 million, or 32 percent, to \$4.8 million for the second quarter ended Dec. 31, 2008, compared with revenues of \$7.0 million for the second quarter of the prior fiscal year. The decline was primarily the result of the transfer of members from the Company's subsidiary, UAHC Health Plan of Tennessee (UAHC-TN), to other service providers on Nov. 1, 2008 in advance of the impending expiration of UAHC-TN's TennCare contract to serve Medicaid beneficiaries in the West Grand Region of Tennessee. Total expenses decreased \$0.5 million, or 8 percent, to \$6.2 million in the fiscal 2009 second quarter, compared with \$6.7 million in the prior fiscal year's second quarter. For the second quarter of fiscal 2009, the Company reported a net loss of \$1.4 million, or (\$0.16) per basic share, compared with net income of \$0.3 million, or \$0.03 per basic share, in the comparable quarter a year ago. The loss was primarily due to the decrease in revenue, partially offset by a decrease in marketing, general and administrative expenses due to the impending expiration of UAHC-TN's TennCare contract.

For the first six months of fiscal 2009, revenues fell \$1.9 million, or 15 percent, to \$11.3 million, compared with \$13.2 million for the first six months of fiscal 2008. The change in revenues was primarily caused by the transfer of UAHC-TN's TennCare enrollees to other providers on Nov. 1, 2008. Total expenses for the first six months of fiscal 2009 decreased \$0.4 million, or 3 percent, to \$12.4 million, compared with \$12.8 million for the comparable period in the prior year. The expense reduction was the result of a \$1.0 million decrease in marketing, general and administrative expenses, partially offset by an increase in medical expenses in the six months ended Dec. 31, 2008. As a result, the Company reported a net loss for the first half of fiscal 2009 of \$1.2 million, or \$0.13 per share, compared with net income of \$0.3 million, or \$0.04 per share, in the first half of fiscal 2008.

"We have largely completed the transition of our TennCare business to new managed care organizations, resulting in a sizable reduction in our revenue base," said William C. Brooks, president and CEO of United American Healthcare. "With lower revenues, our disciplined efforts to control expenses and conserve resources will be even more critical as we move closer to the expiration of UAHC-TN's TennCare contract on June 30, 2009."

UAHC-TN's Medicare Advantage "Special Needs Plan" (MA-SNP) business comprised 50 percent of the Company's total revenue in the fiscal 2009 second quarter. MA-SNP medical premiums revenues were \$2.4 million, while medical expenses for MA-SNP decreased to \$2.3 million. The percentage of such medical expenses to medical premiums revenues - the "medical loss ratio" - was 81.2% for the quarter. As of January 30, 2009, there were approximately 719 enrollees in UAHC-TN's Medicare Advantage Special Needs Plan.

The Company previously reported that on April 22, 2008, UAHC-TN learned that it will no longer have a TennCare contract to serve Medicaid beneficiaries in the West Grand Region of Tennessee when its current TennCare contract expires. UAHC-TN's TennCare contract represented 44.2 percent of the Company's total revenues for the fiscal 2009 second quarter. UAHC-TN's TennCare members transferred to other managed care organizations on Nov. 1, 2008. UAHC-TN will perform its remaining contractual obligations through its TennCare contract expiration date of June 30, 2009.

Management expects to incur substantial expenses related to the impending TennCare contract discontinuance. The net loss is estimated in the range of \$4.6 million to \$6.6 million, including claims processing costs, employee severance, lease termination costs and other general administrative expenses from November 2008 through June 2009. As a result of the contract discontinuance, the total number of employees of the Company was 29 at December 31, 2008, compared to 111 at December 31, 2007.

As of Dec. 31, 2008, United American Healthcare reported cash, cash equivalents and short-term marketable securities of \$16.6 million, compared to \$19.5 million as of June 30, 2008. The Company remains debt-free.

"We will continue managing prudently in this transition to the discontinuance of UAHC-TN's TennCare contract," concluded Brooks. "In the face of these immediate challenges, as well as the broader challenges in the overall economy, the Company's management team and board continue to take actions to reduce expenses and conserve cash until a final decision is made concerning the strategic options available to the Company."

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 1-877-857-6167 and provide the conference passcode 8412524. A replay of the call will be available through Tuesday, April 28, 2009. To access the replay, please call 1-888-203-1112 and provide conference passcode 8412524.

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](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 that pioneered 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](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 (Unaudited)  
(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2008	2007	2008	2007
Revenues				
Fixed administrative fees	\$ 1,173	\$ 3,677	\$ 4,596	\$ 7,383
Variable administrative fees	944	280	944	280
Medical premiums	2,395	2,707	5,257	4,789
Interest and other income	274	384	482	784
Total revenues	4,786	7,048	11,279	13,236
Expenses				
Medical expenses	2,267	2,551	4,790	4,415
Marketing, general and administrative	3,692	4,089	7,331	8,280
Depreciation and amortization	56	51	117	91
Loss on disposal of fixed assets	135	-	135	-
Total expenses	6,150	6,691	12,373	12,786
Earnings (loss) from operations before income taxes	(1,364)	357	(1,094)	450
Income tax expense	-	101	80	121
Net earnings (loss)	\$ (1,364)	\$ 256	\$ (1,174)	\$ 329
Net earnings (loss) per common share - basic				
Net earnings (loss) per common share	\$ (0.16)	\$ 0.03	\$ (0.13)	\$ 0.04
Weighted average shares outstanding	8,728	8,612	8,731	8,636
Net earnings (loss) per common				

share - diluted				
Net earnings (loss) per common share	\$ (0.16)	\$ 0.03	\$ (0.13)	\$ 0.04
Weighted average shares outstanding	8,728	8,778	8,731	8,797

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

	December 31, 2008	June 30, 2008
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 6,025	\$ 10,713
Marketable securities	10,624	8,774
Accounts receivable - State of Tennessee, net	1,900	1,093
Interest receivable	282	551
Other receivables	318	374
Prepaid expenses and other	310	299
Total current assets	19,459	21,804
Property and equipment, net	211	472
Marketable securities	7,618	7,514
Restricted assets	421	421
Other assets	586	586
Total assets	\$ 28,295	\$ 30,797
Liabilities and Shareholders' Equity		
Current liabilities		
Medical claims payable	\$ 2,060	\$ 2,563
Accounts payable and accrued expenses	1,353	1,726
Accrued compensation and related benefits	525	896
Accrued rent	117	90
Other current liabilities	858	1,183
Total current liabilities	4,913	6,458
Total liabilities	4,913	6,458
Commitments and contingencies		
Shareholders' equity		
Preferred stock, 5,000,000 shares authorized; none issued		
Common stock, no par, 15,000,000 shares authorized; 8,689,520 and 8,734,214 issued and outstanding at December 31, 2008 and June 30, 2008, respectively	18,499	18,558
Paid in capital - stock options	1,334	1,153
Warrants	444	444
Retained earnings	3,087	4,261
Accumulated other comprehensive income (loss), net of deferred federal income taxes	18	(77)
Total shareholders' equity	23,382	24,339
Total liabilities and shareholders' equity	\$ 28,295	\$ 30,797

SOURCE United American Healthcare Corporation

<http://www.uahc.com>

