

United American Healthcare Corporation Announces Fiscal 2009 Fourth Quarter and Full Year Results

DETROIT, Sept 24, 2009 /PRNewswire-FirstCall via COMTEX News Network/ -- United American Healthcare Corporation (Nasdaq: UAHC) today announced financial results for the Company's fiscal fourth quarter and full year ended June 30, 2009.

Revenues for the fourth quarter were \$3.3 million, down \$3.2 million, or 49 percent, compared with revenues of \$6.4 million for the fourth quarter of the prior fiscal year. The decline was primarily the result of the complete transfer of TennCare enrollees served by the Company's subsidiary, UAHC Health Plan of Tennessee (UAHC-TN), to other managed care organizations on November 1, 2008, and the discontinuance of UAHC-TN's managed care services as a TennCare contractor.

Total expenses increased \$1.1 million, or 16 percent, to \$7.9 million in the fiscal 2009 fourth quarter, compared with \$6.8 million in the prior fiscal year's fourth quarter. The expenses for the quarter included increased legal and related settlement expenses, which more than offset reductions in marketing, general and administrative expenses. For the fourth quarter of fiscal 2009, the Company reported a net loss of \$4.5 million, or (\$0.53) per basic share, compared with a net loss of \$0.6 million, or (\$0.08) per basic share, in the comparable quarter a year ago. The loss in the most recent quarter was primarily a result of the loss of TennCare revenue, and the increase in legal expenses and settlement costs associated with recent litigation.

"As we move beyond the expiration of the TennCare contract and wind down the CMS Medicare business, our focus will remain on reducing costs and conserving our resources as we evaluate strategic alternatives for the Company," said William C. Brooks, President and CEO of United American Healthcare. "Although our review has taken more time than anticipated, we will continue these efforts as we work to identify the most appropriate strategy for the benefit of our shareholders."

For the full year ended June 30, 2009, revenues fell \$10.2 million, or 38 percent, to \$16.7 million, compared with \$26.8 million for fiscal 2008. The transfer of UAHC-TN's TennCare enrollees to other providers on November 1, 2008 was the primary cause of the decrease in revenues. Total expenses for fiscal 2009 decreased \$4.1 million, or 13 percent, to \$26.1 million, compared with \$30.1 million for the prior year. The expense reduction was primarily the result of a decrease in marketing, general and administrative expenses, offset by the legal and related settlement expenses incurred in the fourth quarter as well as an increase in medical expenses. Operating expenses for fiscal 2009 also included approximately \$4.0 million in expenses related to the TennCare contract discontinuance, including claims processing costs, employee severance and retention, lease termination costs and other corporate general administrative costs. The results for fiscal 2008 were impacted by a goodwill impairment charge of \$3.5 million that was not present in the Company's fiscal 2009 results. In addition, results for the prior year included an increase in the Company's deferred tax valuation allowance, resulting in an income tax expense of \$2.1 million, compared with no income tax expense in fiscal 2009. As a result, the Company reported a net loss for fiscal 2009 of \$8.7 million, or (\$1.02) per share, compared with a net loss of \$4.0 million, or (\$0.47) per share, in fiscal 2008.

As of June 30, 2009, United American Healthcare reported cash, cash equivalents, short-term marketable securities and restricted marketable securities of \$19.9 million, compared to \$27.0 million as of June 30, 2008. The decrease in cash was primarily the result of negative operating cash flow of approximately \$6.2 million in fiscal 2009. The Company remains free of debt.

United American Healthcare continued to take actions to reduce expenses and conserve cash during fiscal 2009. The Company significantly reduced the number of employees to fit its lower level of operating activity. At June 30, 2009, the total number of employees was reduced to 16 from 122 employees a year earlier, representing a year-over-year cost reduction of approximately \$2.6 million. By September 21, 2009, the Company had further reduced the number of full time equivalent employees to 12. In addition, as part of its continuing effort to conserve capital resources, the Company has entered into an agreement to sublease its former facility in Tennessee, resulting in a \$0.5 million expense reduction over the remaining lease term.

The Company also announced today that it has reached a settlement of all claims against the Company as well as its current and past officers relating to a lawsuit, "Provider Creditors Committee on behalf of Michigan Health Maintenance Organizations Plans, Inc. v. United American Health Care Corporation, et al.," in the Wayne County Circuit Court in Detroit. As a result of a court order, all claims in this case have been dismissed with prejudice, and the Company will make a settlement payment of \$3.3 million, of which \$0.2 million is expected to be reimbursed by insurance. This settlement allows the Company to avoid significant legal expenses which could have been incurred during the trial and subsequent appeals process, and importantly, it limits the potential risk exposure associated with a trial.

"In light of our efforts to reduce expenses, conserve our resources and maintain our focus on seeking strategic alternatives, we have decided to discontinue our quarterly earnings conference call for the time being," concluded Brooks. "As we manage

through the continued challenges posed by the overall economy, the Company's management team and board continue to evaluate a broad spectrum of options for the future of United American Healthcare. At the conclusion of this review, when a final decision is reached concerning the strategic direction of the Company, we will communicate the details of our decision to our shareholders."

About United American Healthcare Corporation

United American Healthcare Corporation (UAHC) is a healthcare management company that has 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.

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 ongoing U.S. recession, the termination of the TennCare contract, the wind down of the Company's CMS Medicare business, the review of strategic alternatives, the existing global credit and financial crisis and other changes in general economic conditions, 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)

	Year ended June 30,		
	2009	2008	2007
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Revenues			
Fixed administrative fees	\$4,599	\$14,519	\$15,543
Variable administrative fees	944	1,718	502
Medical premiums	11,116	10,596	921
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Total revenues	16,659	26,833	16,966
Expenses			
Medical services	10,181	9,550	891
Marketing, general and administrative	12,593	16,897	16,580
Provision for legal settlement	3,100	-	-
Depreciation and amortization	183	211	122
Goodwill impairment	-	3,452	-
Provision for claims audit and other commitment	-	-	1,526
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Total expenses	26,057	30,110	19,119
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Operating loss	(9,398)	(3,277)	(2,153)
Interest and other income	688	1,375	1,099
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Loss before income taxes	(8,710)	(1,902)	(1,054)
Income tax expense (benefit)	(5)	2,140	63
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Net loss	\$(8,705)	\$(4,042)	\$(1,117)
	=====	=====	=====
Net loss per common share - basic			
Net loss per common share	\$(1.02)	\$(0.47)	\$(0.14)
	=====	=====	=====
Weighted average shares outstanding	8,532	8,666	8,103

	=====	=====	=====
Net loss per common share - diluted			
Net loss per common share	\$(1.02)	\$(0.47)	\$(0.14)
	=====	=====	=====
Weighted average shares outstanding	8,532	8,666	8,103
	=====	=====	=====

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

	June 30,	
	2009	2008
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Assets		
Current assets		
Cash and cash equivalents	\$13,100	\$10,713
Marketable securities	4,475	8,774
Accounts receivable - State of Tennessee, net	39	1,093
Interest receivable	42	551
Other receivables	1,377	374
Prepaid expenses and other	215	299
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Total current assets	19,248	21,804
Property and equipment, net	134	472
Marketable securities - restricted	2,370	7,514
Restricted assets	-	421
Other assets	486	586
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Total assets	\$22,238	\$30,797
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities		
Medical claims payable	\$2,160	\$2,563
Accounts payable and accrued expenses	1,228	1,726
Reserve for legal settlement	3,250	-
Accrued compensation and related benefits	388	896
Other current liabilities	57	1,273
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Total current liabilities	7,083	6,458
Total liabilities	7,083	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; 8,137,903 and 8,734,214 shares issued and outstanding at June 30, 2009 and 2008, respectively	17,684	18,558
Additional paid-in capital - stock options	1,480	1,153
Additional paid-in capital - warrants	444	444
Retained earnings (accumulated deficit)	(4,444)	4,261
Accumulated other comprehensive loss, net of tax	(9)	(77)
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Total shareholders' equity	15,155	24,339
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Total liabilities and shareholders' equity	\$22,238	\$30,797
	=====	=====

SOURCE United American Healthcare Corporation

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