

United American Healthcare Corporation Announces Fiscal 2007 Second Quarter Results

Reports Another Consecutive Quarter of Profitability

DETROIT, Mich., Jan 25, 2007 /PRNewswire-FirstCall via COMTEX News Network/ -- United American Healthcare Corporation (Nasdaq: UAHC), a pioneer in health care services for Medicaid recipients, today announced financial results for its second fiscal quarter ended Dec. 31, 2006.

Revenues declined to \$4.2 million for the quarter ended Dec. 31, 2006, compared with revenues of \$4.5 million for the second quarter of fiscal 2006. Net income for the second quarter of fiscal 2007 was \$228,000, or \$0.03 per fully diluted share, compared with net income of \$440,000, or \$0.06 per fully diluted share, for the prior fiscal year's second quarter.

The decline in second quarter profitability is principally attributable to a decline in enrollees of the Company's subsidiary, UAHC Health Plan of Tennessee, Inc. (UAHC-TN), as a result of the earlier statewide disenrollment by the State of Tennessee, doing business as TennCare, of non-medically needy adults not eligible for Medicaid under TennCare coverage standards. As of Dec. 31, 2006, UAHC-TN's total enrollment included approximately 112,000 members, down from 123,500 members a year earlier.

"With another consecutive quarter of profitability completed, we remain focused on growing our Medicaid and Medicare Advantage membership while maintaining the same high level of disciplined expense management that has become a hallmark of our managed care model," said William C. Brooks, president, chairman and CEO of United American Healthcare.

"During the second quarter of fiscal 2007, our senior management was heavily engaged in the implementation of new systems and infrastructure necessary for the successful launch of our new Medicare Advantage Special Needs Plan in Shelby County, Tennessee," continued Brooks. "Our team at UAHC Health Plan, in close cooperation with our alliance partners, is now equipped to deliver a broad array of value-added benefits to potential dual-eligible beneficiaries, highlighted by our streamlined claims processing platform, prescription drug benefit, disease management programs and preventive care services."

Brooks continued: "Our Medicare Advantage Special Needs Plan enrollment included 110 members located throughout Shelby County for the January 1 launch date. While our initial enrollment figures have increased relatively slowly, we anticipate reaching our year-end enrollment target for calendar 2007. During the next several months, UAHC Health Plan will employ a variety of targeted marketing and promotional initiatives to increase awareness of our Special Needs Plan. As these initiatives take hold, we believe dual-eligible members throughout Shelby County will become better acquainted with the substantive benefits of our managed care offering, resulting in a steady growth in Medicare Advantage enrollment throughout the year."

On Dec. 14, 2006, the Company announced that it raised gross proceeds of \$6.5 million through the sale of 1,000,000 newly issued shares of its common stock with related warrants to certain institutional and other accredited investors at a price of \$6.5 per share. The net proceeds from the private placement will be used principally for start-up costs associated with UAHC-TN's new Medicare Advantage contract with the Centers for Medicare & Medicaid Services, which became effective January 1, 2007. The remainder is expected to be used for working capital and general corporate purposes.

As of Dec. 31, 2006, United American Healthcare reported cash, cash equivalents and short-term marketable securities of \$13.0 million, compared to \$6.4 million as of Dec. 31, 2005. The Company remains debt-free.

"With the capital raised in our recent private placement, our team is well-positioned to implement an effective outreach campaign in support of our recently launched Medicare Advantage Special Needs Plan," said Stephen Harris, executive vice president and CFO of United American Healthcare.

"Our preliminary outreach efforts have emphasized sustained communication with potential members, both early and often," continued Harris. "Given that a vast majority of potential dual-eligible members are currently enrolled in stand-alone prescription drug plans with traditional fee-for-service Medicare, our objective will be to educate and inform this segment of the population on the benefits of switching to our plan. Since dual-eligibles are not locked in to specific enrollment periods, our marketing and enrollment efforts are scheduled to continue throughout the year."

Overview of the UAHC Health Plan Medicare Advantage Business

On October 10, 2006, UAHC-TN received a contract with the Centers for Medicare & Medicaid Services (CMS) to act as a Medicare Advantage qualified organization. The contract authorizes UAHC-TN to serve members enrolled in both the

Tennessee Medicaid and Medicare programs, commonly referred to as "dual-eligibles," specifically to offer a Special Needs Plan to its eligible members in Shelby County, Tennessee, and to operate a Voluntary Medicare Prescription Drug Plan, both beginning January 1, 2007. The contract term is September 29, 2006 through December 31, 2007, after which the contract may be renewed for successive one-year periods in accordance with its terms.

Discussion of Financial Guidance

In keeping with United American Healthcare's ongoing commitment to best practices in disclosure and investor relations, the Company management has chosen to discontinue quarterly financial guidance. Given the long-term nature of UAHC's growth objectives, the Company management believes that, for the time being, it is in the best interest of current and potential shareholders to provide detailed qualitative statements on our business prospects and general outlook rather than near-term financial forecasts.

Fiscal 2007 Second 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 (877) 502-9273 and provide the conference passcode 8742203. A replay of the call will be available through Thursday, Feb. 8, 2007. To access the replay, please call (888) 203-1112 and provide the conference passcode 8742203.

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. UAHC provides access to more than 900 primary and specialty care physicians and more than 19 hospitals for the members of UAHC Health Plan. 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		Six months ended	
	December 31,		December 31,	
	2006	2005	2006	2005
Revenues				
Fixed administrative fees	\$3,949	\$4,308	\$7,962	\$8,798
Interest and other income	274	183	435	201
Total revenues	4,223	4,491	8,397	8,999
Expenses				
Marketing, general and administrative	3,950	3,968	7,709	7,986
Depreciation and amortization	27	29	59	62
Total expenses	3,977	3,997	7,768	8,048
Earnings from operations before income taxes	246	494	629	951
Income tax expense	18	54	69	108
Net earnings	\$228	\$440	\$560	\$843

Net earnings per common share - basic				
Net earnings per common share	\$0.03	\$0.06	\$0.07	\$0.11
Weighted average shares outstanding	7,728	7,474	7,629	7,464
Net earnings per common share - diluted				
Net earnings per common share	\$0.03	\$0.06	\$0.07	\$0.11
Weighted average shares outstanding	8,172	7,604	7,970	7,593

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)

	December 31, 2006 (Unaudited)	June 30, 2006
Assets		
Current assets		
Cash and cash equivalents	\$9,951	\$4,316
Marketable securities	3,025	2,605
Accounts receivable - State of Tennessee, net	1,517	1,463
Other receivables	771	384
Prepaid expenses and other	302	265
Deferred income taxes	1,914	1,950
Total current assets	17,480	10,983
Property and equipment, net	212	142
Intangible assets, net	3,452	3,452
Marketable securities	7,445	7,342
Restricted assets	2,721	2,721
Other assets	586	586
Total assets	\$31,896	\$25,226
Liabilities and Shareholders' Equity		
Current liabilities		
Medical claims payable	\$156	\$156
Accounts payable and accrued expenses	975	920
Accrued compensation and related benefits	540	732
Accrued rent	158	244
Other current liabilities	1,145	1,124
Total current liabilities	2,974	3,176
Total liabilities	2,974	3,176
Shareholders' equity		
Preferred stock, 5,000,000 shares authorized; none issued	-	-
Common stock, no par, 15,000,000 shares authorized; 8,543,277 and 7,527,023 issued and outstanding at December 31, 2006 and June 30, 2006, respectively	18,194	12,541
Paid-in-capital - stock options	372	259
Warrants	446	-
Retained earnings	9,980	9,420
Accumulated other comprehensive loss, net		

of deferred federal income taxes	(70)	(170)
Total shareholders' equity	\$28,922	\$22,050
	\$31,896	\$25,226

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

SOURCE United American Healthcare Corporation

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