

United American Healthcare Corporation Announces Fiscal 2007 First Quarter Results

Reports Another Consecutive Quarter of Profitability; Highlights Medicare Advantage Contract Approval and NCQA Accreditation

DETROIT, Oct 26, 2006 /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 first fiscal quarter ended Sept. 30, 2006.

Revenues declined to \$4.2 million for the quarter ended Sept. 30, 2006, compared with revenues of \$4.5 million for the first quarter of fiscal 2006. Net income for the first quarter of fiscal 2007 was \$332,000 or \$0.04 per fully diluted share, compared with net income of \$403,000, or \$0.05 per fully diluted share, for the prior fiscal year's first quarter.

The decline in first quarter profitability is largely attributable to a reduction in administrative fees received from the State of Tennessee, doing business as TennCare, pursuant to a contract amendment between the Company's subsidiary, UAHC Health Plan of Tennessee, Inc. (UAHC-TN), and TennCare effective July 1, 2005. In addition, revenue in the first quarter of fiscal 2007 was adversely impacted by TennCare's earlier statewide disenrollment of non-medically needy adults not eligible for Medicaid under TennCare coverage standards. As of Sept. 30, 2006, UAHC-TN's total enrollment included approximately 116,034 members, down from 123,500 members a year earlier, but up from its June 30, 2006 enrollment of 113,951.

"We are pleased to announce another consecutive quarter of profitability, consistent with the financial guidance we provided in August," said William C. Brooks, president, chairman and CEO of United American Healthcare.

"During the first quarter of fiscal 2007, we reached several important milestones," continued Brooks. "Our certification as a Medicare Advantage qualified organization and our recently announced Medicare Advantage contract are critical steps forward for us, positioning us to capitalize, over time, on the significant revenue opportunity associated with the "special needs" population in Western Tennessee. Another important milestone involves UAHC Health Plan's accreditation by the National Committee for Quality Assurance (NCQA), which signifies UAHC Health Plan's unrelenting commitment to delivering quality care to each of our members."

As of Sept. 30, 2006, United American Healthcare reported cash, cash equivalents and short-term marketable securities of \$6.7 million, compared to \$5.9 million as of Sept. 30, 2005. The Company remains debt-free.

"Looking to the remainder of fiscal 2007, we stand committed to growing the core membership of our Medicaid managed care business alongside our newly formed Medicare Advantage 'Special Needs Plan,'" said Stephen Harris, executive vice president and CFO of United American Healthcare. "Over the coming months, we will provide our investors additional information as it relates to our plans and expectations for the Medicare Advantage business. As before, we remain encouraged by the long-term strategic opportunities presented by the dual-eligible population, both in Western Tennessee and in other areas where we can leverage our managed care expertise."

UAHC Health Plan Receives Medicare Advantage Contract

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.

NCQA "Commendable" Accreditation

On Oct. 19, 2006, the Company announced that the National Committee for Quality Assurance (NCQA) awarded UAHC-TN an Accreditation status of "Commendable." NCQA Accreditation is a voluntary review process that evaluates how well a health plan manages quality throughout every part of its delivery system -- including physicians, hospitals, affiliated providers and administrative services -- to continuously improve health care for its members. The NCQA survey is comprehensive in scope, including on-site and off-site evaluations of more than 60 standards and selected Health Plan Employer Data and Information Set (HEDIS) performance measures, consumer surveys, and interviews with plan staff.

As part of the NCQA Accreditation process, UAHC-TN submitted to a rigorous review of its consumer protection and quality improvement systems, and provided audited data on key clinical and service measures.

Fiscal 2007 Second Quarter Financial Outlook

The following statements are based on the Company's current expectations. These statements are forward-looking, and actual results may differ materially. Except as expressly set forth below, these statements do not include the potential impact of any mergers, acquisitions or other business combinations that may be closed or entered into after Sept. 30, 2006.

UAHC anticipates fiscal 2007 second quarter revenue to be in the range of \$4.0 to \$4.2 million and net income from continuing operations to be in the range of \$0.00 to \$0.03 per fully diluted share.

Fiscal 2007 First 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 (800) 510-0219 and provide the conference passcode 40742181. A replay of the call will be available through Thursday, Nov. 9, 2006. To access the replay, please call (888) 286-8010 and provide the conference passcode 64544072.

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 <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
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(in thousands, except per share data)

	Three-months ended September 30,	
	2006	2005
Revenues		
Fixed administrative fees	\$4,013	\$4,490
Interest and other income	161	18
Total revenues	4,174	4,508
Expenses		
Marketing, general and administrative	3,759	4,018
Depreciation and amortization	32	33
Total expenses	3,791	4,051
Earnings from operations before income taxes	383	457
Income tax expense	51	54
Net earnings	\$332	\$403

Net earnings per common share -- basic

Net earnings per common share	\$0.04	\$0.05
Weighted average shares outstanding	7,531	7,459
Net earnings per common share -- diluted		
Net earnings per common share	\$0.04	\$0.05
Weighted average shares outstanding	7,725	7,583

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)

	September 30, 2006 (Unaudited)	June 30, 2006
Assets		
Current assets		
Cash and cash equivalents	\$4,106	\$4,316
Marketable securities	2,614	2,605
Accounts receivable --		
State of Tennessee, net	1,390	1,463
Other receivables	690	384
Prepaid expenses and other	305	265
Deferred income taxes	1,950	1,950
Total current assets	11,055	10,983
Property and equipment, net	203	142
Intangible assets, net	3,452	3,452
Marketable securities	7,433	7,342
Restricted assets	2,721	2,721
Other assets	586	586
Total assets	\$25,450	\$25,226
Liabilities and Shareholders' Equity		
Current liabilities		
Medical claims payable	\$156	\$156
Accounts payable and accrued expenses	1,066	920
Accrued compensation and related benefits	523	732
Accrued rent	169	244
Other current liabilities	1,036	1,124
Total current liabilities	2,950	3,176
Total liabilities	2,950	3,176
Shareholders' equity		
Preferred stock, 5,000,000 shares authorized; none issued	-	-
Common stock, no par, 15,000,000 shares authorized; 7,531,277 and 7,527,023 issued and outstanding at September 30, 2006 and June 30, 2006, respectively	12,830	12,800
Retained earnings	9,752	9,420
Accumulated other comprehensive loss, net of deferred federal income taxes	(82)	(170)
Total shareholders' equity	\$22,500	\$22,050

\$25,450

\$25,226

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

SOURCE United American Healthcare Corporation

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