

United American Healthcare Corporation Announces Fiscal 2006 Fourth Quarter and Year-End Results

Continues Record of Profitability, Receives 'Conditional Approval' for Medicare Advantage Application

DETROIT, Aug 31, 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 fourth quarter and fiscal year ended June 30, 2006.

Revenues declined to \$4.8 million for the fourth quarter ended June 30, 2006, compared with revenues of \$5.7 million for the fourth quarter of fiscal 2005. Net income for the fourth quarter of fiscal 2006 was \$97,000, or \$0.01 per fully diluted share, compared with net income of \$433,000, or \$0.06 per fully diluted share, for the prior year's fourth quarter.

The decline in fourth 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, TennCare implemented a plan to reduce administrative fees and began a modified risk arrangement for the compensation of TennCare's contracted managed care organizations (MCOs), including UAHC-TN. Under the modified risk arrangement, MCOs doing business with TennCare are now at risk of losing up to 10 percent of their administrative fee revenue and are eligible to receive up to 15 percent incentive bonus revenue, based on performance relative to certain benchmarks.

TennCare has notified UAHC-TN that it earned additional revenue of \$0.2 million and \$0.2 million, respectively, for its performance under the modified risk arrangement for the first and second quarters of fiscal 2006, and the Company has recorded such additional revenue in its fiscal 2006 financial statements. UAHC-TN expects to similarly earn additional revenue of approximately \$0.2 million for each of the third and fourth quarters of fiscal 2006, and the Company would record such earnings in fiscal 2007 only upon formal notification thereof from TennCare.

In addition to the earlier mentioned reduction in administrative fees from the State of Tennessee, revenue in the fourth quarter of fiscal 2006 was impacted by TennCare's statewide disenrollment of non-medically needy adults not eligible for Medicaid under TennCare coverage standards. As a result, UAHC-TN lost approximately 12,000 members during fiscal 2006. As of August 14, 2006, UAHC-TN's total enrollment included approximately 113,951 members.

"We are pleased with our performance under the modified risk arrangement, as illustrated by the incentive bonus revenue we earned in fiscal 2006. We remain confident of our ability to continue to operate profitably in both the risk-based and administrative fee compensation models," said William C. Brooks, president, chairman and CEO of United American Healthcare.

For the fiscal year ended June 30, 2006, revenues declined to \$18.1 million, compared to revenues of \$22.1 million for fiscal 2005. Net income for fiscal 2006 was \$1.4 million, or \$0.18 per fully diluted share, compared with net income of \$5.3 million, or \$0.69 per fully diluted share, for fiscal 2005. The year over year decline in profitability is principally due to a decrease in administrative fee revenue and an increase in general and administrative expenses for legal fees associated with ongoing litigation and claims processing costs.

"Although our fiscal 2006 financial performance was adversely affected by several regulatory challenges, the bulk of which have expired or are near conclusion, our unwavering commitment to profitable growth remains intact," said Brooks. "Whereas fiscal 2005 was a period of internal restructuring and strategic planning, fiscal 2006 was a year in which we leveraged our experience, relationships and managed care infrastructure to position the Company for sustained value creation over the long-term."

As of June 30, 2006, United American Healthcare reported cash, cash equivalents and short-term marketable securities of \$6.9 million, compared to \$13.5 million as of June 30, 2005. The decline in cash and cash equivalents is primarily due to an increase in TennCare statutory deposit requirements and funding of restricted assets. The Company remains debt-free.

"Throughout fiscal 2006, the team at United American embraced a culture of cost efficiency which was an important factor in sustaining our ongoing record of profitability," said Stephen Harris, executive vice president and CFO of United American Healthcare. "Looking ahead to fiscal 2007, our strategy for profitable growth remains largely dependent on our ability to increase the Company's addressable markets beyond Medicaid and Western Tennessee. Accordingly, we continue to consider several attractive opportunities that may leverage our many years of experience, managed care infrastructure and solid balance sheet to our shareholders' benefit."

"Conditional Approval" of Medicare Advantage Application

In a positive development for the Company, UAHC Health Plan of Tennessee (UAHC-TN), has received conditional approval from the Centers for Medicare & Medicaid Services (CMS) to contract as a Medicare Advantage qualified organization beginning in 2007.

UAHC-TN applied for contract approval from CMS on March 20, 2006, indicating its desire to operate a "Special Needs Plan" in Western Tennessee. Subject to receiving final regulatory approval, the contract would allow UAHC- TN to serve members enrolled in both the Tennessee Medicaid and Medicare programs, commonly referred to as "dual-eligibles."

In order to receive final regulatory approval from CMS, UAHC-TN must undergo a series of standard pre-implementation activities, including systems and data testing. The Company anticipates that CMS's final determination on the application is imminent.

"During the past year, we've made a concerted effort to broaden the scope of our business as a means of better serving specific segments of our member population, including those members designated as 'dual eligibles' -- low income seniors and people with disabilities who are enrolled in both Medicaid and Medicare," said Brooks. "By centralizing more of our members' healthcare services under a single managed care umbrella, we're aiming to simplify their access to quality medical treatment. As before, we remain committed to executing a cost-effective strategy of disciplined, opportunistic growth, guided by the mandate to create value for our shareholders."

Fiscal 2007 First 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 June 30, 2006.

UAHC anticipates fiscal 2007 first quarter revenue to be in the range of \$3.7 to \$4.0 million and net income from continuing operations to be in the range of \$0.00 to \$0.03 per diluted share.

Fiscal 2006 Fourth Quarter and Year-End 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 (866) 277-1184 and provide the conference passcode 38673217. A replay of the call will be available through September 14, 2006. To access the replay, please call (888) 286-8010 and provide the conference passcode 18681785.

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)

Year ended June 30,
2006 2005 2004

Revenues			
Fixed administrative fees	\$16,989	\$20,916	\$20,391
Medical premiums	-	23	532
Interest and other income	1,125	1,140	1,161
Total revenues	18,114	22,079	22,084
Expenses			
Medical services	-	23	532
Marketing, general and administrative	16,472	15,742	14,483
Depreciation and amortization	128	177	227
Interest expense	-	8	66
Total expenses	16,600	15,950	15,308
Earnings from continuing operations before income taxes	1,514	6,129	6,776
Income tax expense (benefit)	141	655	(1,095)
Earnings from continuing operations	1,373	5,474	7,871
Discontinued operations			
Loss from discontinued operations	-	(129)	(700)
Net earnings	\$1,373	\$5,345	\$7,171
Net earnings per common share - basic			
Earnings from continuing operations	0.18	0.74	1.09
Loss from discontinued operations	-	(0.02)	(0.10)
Net earnings per common share	\$0.18	\$0.72	\$0.99
Weighted average shares outstanding	7,478	7,425	7,207
Net earnings per common share - diluted			
Earnings from continuing operations	0.18	0.71	1.08
Loss from discontinued operations	-	(0.02)	(0.10)
Net earnings per common share	\$0.18	\$0.69	\$0.98
Weighted average shares outstanding	7,628	7,674	7,266

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

	June 30,	
	2006	2005
Assets		
Current assets		
Cash and cash equivalents	\$4,316	\$9,843
Marketable securities	2,605	3,730
Accounts receivable - State of Tennessee, net	1,463	1,360
Other receivables	384	583
Prepaid expenses and other	265	172
Deferred income taxes	1,950	1,950
Total current assets	10,983	17,638
Property and equipment, net	142	179
Goodwill	3,452	3,452
Marketable securities	7,342	2,380
Restricted assets	2,721	-
Other assets	586	586
	\$25,226	\$24,235
Liabilities and Shareholders' Equity		
Current liabilities		
Medical claims payable	\$156	\$172

Accounts payable and accrued expenses	1,131	1,096
Accrued compensation and related benefits	732	711
Accrued rent	33	235
Other current liabilities	1,124	1,538
Total current liabilities	3,176	3,752
 Total liabilities	 3,176	 3,752
 Shareholders' equity		
Preferred stock, 5,000,000 shares authorized; none issued	-	-
Common stock, no par, 15,000,000 shares authorized; 7,527,023 and 7,450,235 shares issued and outstanding at June 30, 2006 and June 30, 2005, respectively	12,800	12,476
Retained earnings	9,420	8,047
Accumulated other comprehensive loss net of deferred federal income taxes	(170)	(40)
Total shareholders' equity	22,050	20,483
	\$25,226	\$24,235

SOURCE United American Healthcare Corporation

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