

United American Healthcare Corporation Announces Fiscal Second Quarter 2006 Results

Reports Diluted Earnings per Share of \$0.06 on Total Revenues of \$4.5 million; Company Continues Record of Sustained Profitability

DETROIT, Jan 26, 2006 /PRNewswire-FirstCall via COMTEX News Network/ -- United American Healthcare Corporation (Nasdaq: UAHC), a leading healthcare management company servicing the Medicaid community, today announced financial results for the Company's fiscal second quarter of 2006.

Total revenues for the fiscal second quarter of 2006 ended Dec. 31, 2005 were \$4.5 million, compared with revenues of \$5.4 million in the fiscal second quarter of 2005. The year-on-year decline in revenue was primarily attributable to a reduction in administrative fees received from TennCare effective July 1, 2005, pursuant to a contract amendment between the Company's subsidiary, UAHC Health Plan of Tennessee, Inc. (UAHC-TN), and the State of Tennessee, doing business as TennCare. Through the contract amendment, 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 current modified risk arrangement, all MCOs doing business with TennCare are at risk of losing up to 10 percent of their administrative fee revenue with the understanding that, in turn, they are also eligible to receive up to 15 percent incentive bonus revenue, based on performance relative to certain benchmarks.

Further contributing to the decline in revenue was the impact of TennCare's disenrollment of non-medically needy adults not eligible for Medicaid under TennCare coverage standards throughout Tennessee. As the Company had expected, UAHC-TN lost approximately 10,000 members in the first half of fiscal year 2006. As of Dec. 31, 2005, its Tennessee-based enrollment included approximately 123,500 members. At present, the Company expects this membership number to remain relatively stable.

Net income from continuing operations for the fiscal second quarter of 2006 was \$0.44 million, or \$0.06 per diluted share, compared to \$0.40 million, or \$0.05 per diluted share, in the preceding quarter ended September 30, 2005, and \$1.93 million or \$0.26 per diluted share, in the year-ago fiscal second quarter. The decline in year-over-year net income was adversely impacted by a decrease in administrative fee revenues, coupled with an increase in general and administrative (G&A) expenses. The increase in G&A expense is attributable to three primary cost centers, including expenses associated with the administrative supervision order previously in effect for UAHC-TN, legal expenses associated with ongoing litigation and an increase in claims processing costs.

"Overall, we are very encouraged by our performance this quarter. Despite a decline in revenue, we exceeded our expectations for profitability in the quarter, as outlined within our financial guidance at the end of the first fiscal quarter of 2006," said William C. Brooks, president, chairman and CEO of United American Healthcare. "We continue to exercise a high degree of prudence and conservatism within our operating model, driven by a focus on effective cost management and streamlined internal processes. As revenue expansion opportunities continue to emerge for our Company and the industry as a whole, we believe our ongoing efforts to advance a flexible yet cost-conscious operating model will contribute to sustained growth in our profitability."

As of Dec. 31, 2005, United American Healthcare reported cash, cash equivalents and short-term marketable securities of \$6.4 million compared to \$10.2 million in the year-ago period. The decline in cash and cash equivalents is primarily due to an increase in TennCare statutory reserve requirements and funding of restricted assets.

"As we begin the back half of our fiscal year 2006, we are encouraged by the strength of United American's capital structure. With ongoing efforts to manage costs internally, no long-term debt obligations and positive cash flow from operations, we believe incremental growth in top-line revenue has the potential to translate directly to growth in bottom-line profitability," said Stephen Harris, CFO of United American Healthcare.

Fiscal Third Quarter 2006 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 Dec. 31, 2005.

UAHC anticipates fiscal third quarter 2006 revenue to be in the range of \$4.3-4.5 million and net income from continuing operations to be in the range of \$0.06 - \$0.08 per diluted share.

"As we consider the strategic direction of our Company over the next several quarters, we remain encouraged by the opportunities for revenue expansion on the horizon, particularly in new markets in the southeastern United States," concluded Brooks. "We are entering a period of careful assessment and targeting in our business strategy. We look forward to focusing our energies on managing the core operations of our business, while also evaluating new opportunities in the managed care arena within the context of the TennCare modified risk arrangement as well as in new markets where we may leverage our healthcare solutions to benefit new members."

Second Quarter 2006 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) 510-0146 and provide the conference passcode 50747311. A replay of the call will be available through Thurs., Feb. 9, 2006. To access the replay, please call (888) 286-8010 and provide the conference passcode 19808870.

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 to the 123,500 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 share data)

	Three months ended		Six months ended	
	December 31,		December 31,	
	2005	2004	2005	2004
Revenues				
Fixed administrative fees	\$4,308	\$5,253	\$8,798	\$10,381
Medical premiums	-	2	-	21
Interest and other income	183	144	201	405
Total revenues	4,491	5,399	8,999	10,807
Expenses				
Medical services	-	3	-	22
General and administrative	3,968	3,421	7,986	7,158
Depreciation and amortization	29	45	62	94
Interest expense	-	-	-	8
Total expenses	3,997	3,469	8,048	7,282
Earnings from continuing				
operations before income taxes	494	1,930	951	3,525
Income tax expense	54	-	108	-
Earnings from continuing operations	440	1,930	843	3,525
Discontinued operations				
Loss from discontinued operations	-	-	-	(129)
Net earnings	\$440	\$1,930	\$843	\$3,396
Net earnings per common share				

- basic				
Earnings from continuing operations	\$0.06	\$0.26	\$0.11	\$0.48
Loss from discontinued operations	0	0	0	(0.02)
Net earnings per common share	\$0.06	\$0.26	\$0.11	\$0.46
Weighted average shares outstanding	7,474	7,409	7,464	7,400
Net earnings per common share				
- diluted				
Earnings from continuing operations	\$0.06	\$0.26	\$0.11	\$0.47
Loss from discontinued operations	0	0	0	(0.02)
Net earnings per common share	\$0.06	\$0.26	\$0.11	\$0.45
Weighted average shares outstanding	7,604	7,486	7,593	7,476

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

	December 31, 2005 (Unaudited)	June 30, 2005
Assets		
Current assets		
Cash and cash equivalents	\$3,796	\$9,843
Marketable securities	2,605	3,730
Accounts receivable - State of Tennessee	1,098	1,360
Other receivables	460	583
Prepaid expenses and other	161	172
Deferred income taxes	2,290	1,950
Total current assets	10,410	17,638
Property and equipment, net	135	179
Goodwill	3,452	3,452
Marketable securities	7,140	2,380
Restricted Assets	2,721	-
Other assets	586	586
Total assets	\$24,444	\$24,235
Liabilities and Shareholders' Equity		
Current liabilities		
Medical claims payable	\$156	\$172
Accounts payable and accrued expenses	965	1,096
Accrued compensation and related benefits	407	711
Accrued rent	33	235
Other current liabilities	1,440	1,538
Total current liabilities	3,001	3,752
Total liabilities	3,001	3,752
Shareholders' equity		
Preferred stock, 5,000,000 shares authorized; none issued	-	-
Common stock, no par, 15,000,000 shares authorized; 7,475,235 and 7,450,235 issued and outstanding at December 31, 2005 and June 30, 2005, respectively	12,665	12,476
Retained earnings	8,890	8,047
Accumulated other comprehensive loss, net of income taxes	(112)	(40)

Total shareholders' equity	21,443	20,483
	\$24,444	\$24,235

SOURCE United American Healthcare Corporation

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