UNITED AMERICAN HEALTHCARE CORP
Form 10-K
September 24, 2003

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For fiscal year ended June 30, 2003
Commission file number: 000-18839

UNITED AMERICAN HEALTHCARE CORPORATION
(Exact name of registrant as specified in charter)

MICHIGAN	38-2526913
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

300 RIVER PLACE, SUITE 4950
DETROIT, MICHIGAN 48207
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (313) 393-4571

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, NO PAR VALUE
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12-b-2 of the Act). Yes [ ] No [X]

THE AGGREGATE MARKET VALUE OF THE VOTING STOCK OF THE REGISTRANT HELD BY NON-AFFILIATES AS OF SEPTEMBER 19, 2003, COMPUTED BY REFERENCE TO THE NASDAQ SMALLCAP MARKET CLOSING PRICE ON SUCH DATE, WAS $23,081,707.

THE NUMBER OF OUTSTANDING SHARES OF REGISTRANT'S COMMON STOCK AS OF SEPTEMBER 19, 2003 WAS 7,190,563.

Portions of the registrant's Proxy Statement for its 2003 Annual Meeting of

Shareholders have been incorporated by reference in Part III of this Annual Report of Form 10-K.

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 24, 2003

UNITED AMERICAN HEALTHCARE CORPORATION

FORM 10-K

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

GENERAL

United American Healthcare Corporation (the "Company") was incorporated in

Michigan on December 1, 1983 and commenced operations in May 1985. Unless the context otherwise requires, all references to the Company indicated herein shall mean United American Healthcare Corporation and its consolidated subsidiaries.

The Company provides comprehensive management and consulting services to a managed care organization in Tennessee, and previously to other health maintenance organizations in other states, principally (until November 1, 2002) Michigan. The Company also arranges for the financing of health care services and delivery of these services by primary care physicians and specialists, hospitals, pharmacies and other ancillary providers to commercial employer groups and government-sponsored populations in Tennessee and previously (until November 1, 2002) Michigan.

Management and consulting services provided by the Company are and have been generally to health maintenance organizations with a targeted mix of Medicaid and non-Medicaid/commercial enrollment. As of September 1, 2003, there were 130,080 enrollees in OmniCare Health Plan, Inc., in Tennessee ("OmniCare-TN"), 75%-owned by the Company's wholly owned subsidiary.

Pursuant to notice received from OmniCare Health Plan in Michigan (OmniCare-MI), the Company's management agreement with OmniCare-MI terminated November 1, 2002. On that date, the Company ceased providing services to OmniCare-MI, and OmniCare-TN became the Company's only managed plan.

Management and consulting services provided by the Company include feasibility studies for licensure, strategic planning, corporate governance, management information systems, human resources, marketing, pre-certification, utilization review programs, individual case management, budgeting, provider network services, accreditation preparation, enrollment processing, claims processing, member services and cost containment programs.

In 1985, the Company became one of the pioneers in arranging for the financing and delivery of health care services to Medicaid recipients utilizing managed care programs. Management believes the Company has gained substantial expertise in understanding and serving the particular needs of the Medicaid population.

INDUSTRY

In an effort to control costs while assuring the delivery of quality health care services, the public and private sectors have increasingly turned to managed care solutions. As a result, the managed care industry, which includes health maintenance organization ("HMO"), preferred provider organization ("PPO") and prepaid health service plans, has grown substantially.

While the trend toward managed care solutions has traditionally been pursued most aggressively by the private sector, the public sector has embraced the trend in an effort to control the costs of health care provided to Medicaid recipients. Consequently, many states are promoting managed care initiatives to contain these rising costs and supporting programs that encourage or mandate Medicaid beneficiaries to enroll in managed care plans.

MANAGED CARE PRODUCTS AND SERVICES

The Company has an ownership interest in and manages the operations of an HMO in Tennessee, OmniCare-TN. The Company also managed the operations of an HMO in which it had no ownership interest, OmniCare-MI, pursuant to a management agreement, which terminated November 1, 2002.

The Company previously participated in the "County Care" plan in Michigan under a contract with Urban Hospital Care Plus, which expired on September 30, 2001 at the Company's election. The Company also has had an ownership interest in three other HMOs which are no longer part of its business: UltraMedix Healthcare Systems, Inc., in Florida ("UltraMedix"), OmniCare Health Plan of Louisiana, Inc., in Louisiana ("OmniCare-LA") and PhilCare Health Systems, Inc., in Pennsylvania ("PhilCare"), each briefly described below in this Form 10-K annual report.

The following table shows the approximate number of OmniCare-TN members serviced by the Company as of September 1, 2003:

Medicaid	Non--Medicaid	Total
113,535	16,545	130,080

The following table shows the Company's principal revenue sources in dollar amounts and as a percentage of the Company's total revenues for the periods indicated. Such data are not indicative of the relative contributions to the Company's net earnings.

	YEAR ENDED JUNE 30,			
	2003		2002	
	(in thousands, except percenta			
Revenues				
OmniCare-TN	$ 24,314	87%	$160,608	90%
OmniCare-MI*	3,395	12%	14,941	8%
County Care**	--	--	2,486	1%

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* The Company's gross revenues derived from OmniCare-MI are based on management fees earned under a management agreement with OmniCare-MI, which terminated November 1, 2002, reflected as a discontinued operation in the consolidated financial statements contained elsewhere in this annual report.

** County Care was no longer a managed plan of the Company after September 30, 2001.

MANAGED PLANS

The Company has entered into a long-term management agreement, through a wholly owned subsidiary of the Company, with OmniCare-TN. In addition, the Company had a long-term management agreement with OmniCare-MI, which terminated November 1, 2002. Pursuant to these management agreements, the Company provides to OmniCare-TN and provided to OmniCare-MI management and consulting services associated with the financing and delivery of health care services. Table A

summarizes the terms of these agreements.

Services provided to OmniCare-TN and previously OmniCare-MI (the "Managed Plans") include strategic planning; corporate governance; human resource functions; provider network services; provider profiling and credentialing; premium rate setting and review; marketing services (group and individual); accounting and budgeting functions; deposit, disbursement and investment of funds; enrollment functions; collection of accounts; claims processing; management information systems; utilization review; and quality management.

Table A- Summary of Terms of Agreements with the Managed Plans

Terms	OmniCare-TN	OmniCare
(1) Duration:		
(a) Effective dates:		
(i) Commencement	July 1, 1996	May 1,
(ii) Expiration	June 30, 2005	Nov. 1,
(b) Term extension:		
(i) Automatically renewable	Yes -- 4 successive 5-year periods	N/A
(ii) Terms of renewal/ continuation	5 years	N/A
(iii) Next review period	January 1, 2005	N/A
(c) Termination:		
(i) Without cause by the Plan at such review dates	Yes	N/A
(ii) Either party with cause	Yes	N/A
(2) Fees paid to the Company:		
(a) Percentage of revenues	Yes	Yes
(b) Fixed premium rates	No	No
(3) Expenses incurred by the Company: All administrative expenses necessary to carry out and perform the functions of the Plan, excluding:		
(i) Audit	Yes	No
(ii) Legal	Yes	No
(iii) Marketing	No	No

(1) The Company's management agreement with OmniCare-MI was amended after the Rehabilitator of OmniCare-MI was appointed by court order on July 31, 2001, and terminated November 1, 2002, pursuant to notice the Company received from OmniCare-MI.

(2) Fees paid to the Company were changed, however, to a cost-based fee, by amendment dated December 14, 2001 and effective August 1, 2001.

MANAGED PLAN OWNED BY THE COMPANY

OMNICARE-TN. OmniCare-TN was organized as a Tennessee corporation in October 1993, and is headquartered in Memphis, Tennessee. The Company was active in the development of OmniCare-TN, and through the Company's wholly owned subsidiary, United American of Tennessee, Inc., owns a 75% equity interest in OmniCare-TN; a local partner owns the remaining 25%. OmniCare-TN began as a PPO contractor with

the Bureau of TennCare, a State of Tennessee program that provides medical benefits to Medicaid and working uninsured and uninsurable recipients, and operated as a full-risk prepaid health services plan until it obtained its TennCare HMO license in March 1996. OmniCare-TN's TennCare HMO contract was executed in October 1996, retroactive to the date of licensure.

In November 1993, OmniCare-TN contracted with the State of Tennessee, doing business as TennCare ("TennCare"), as a Medicaid PPO to arrange for the financing and delivery of health care services on a capitated basis to eligible Medicaid beneficiaries and the Working Uninsured and Uninsurable ("Non-Medicaid") individuals who lack access to private or employer sponsored health insurance or to another government health plan. TennCare placed an indefinite moratorium on Working Uninsured enrollment in December 1994; however, such action did not affect persons enrolled in a plan prior to the moratorium. In April 1997, enrollment was expanded to include the children of the Working Uninsured up to age 18.

The contract between OmniCare-TN and TennCare was renewed July 1, 2000 for a 42-month term, expiring December 31, 2003. The new contract provided for increased capitation rates, but eliminated the practice of providing retroactive payments to managed care organizations for high cost chronic conditions of their members ("adverse selection") and payments earmarked as adjustments for covered benefits.

OmniCare-TN was assigned approximately 6,000 members by TennCare in the second half of fiscal 2000 as a result of three other managed care organizations, which had contracts with TennCare, ceasing to serve their enrollees or being unable to take on new enrollees. Medical services expenses for such new OmniCare-TN members disproportionately exceeded OmniCare-TN's normal per member per month ("PMPM") experience and adversely affected its earnings for and since that period. OmniCare-TN received from TennCare in fiscal 2001 an adverse selection payment of $0.8 million for such fiscal 2000 expenses.

In June 2001, TennCare developed new risk-sharing options for its participating managed care organizations (MCOs), including OmniCare-TN. OmniCare-TN entered into its changed contract with TennCare effective July 1, 2001.

At June 30, 2001, OmniCare-TN was licensed in and served Shelby and Davidson Counties in Tennessee (which include the cities of Memphis and Nashville, respectively). Effective July 1, 2001, OmniCare-TN received approval from TennCare to expand its service area to western Tennessee and to withdraw from Davidson County. Additionally, a significant competitor of OmniCare-TN ceased doing business in October 2001, and TennCare assigned approximately 40,000 of that plan's members to OmniCare-TN on February 15, 2002.

Beginning July 1, 2002, TennCare implemented an 18-month stabilization program which entailed changes to TennCare's contracts with MCOs, including OmniCare-TN. During that period, MCOs are generally compensated for administrative services only (commonly called "ASO"), earn fixed administrative fees, are not at risk for medical costs in excess of targets established based on various factors, are subject to increased oversight, and may incur financial penalties for not achieving certain performance requirements. The program was initially designed to permit MCOs also to earn limited additional administrative fees based on certain performance measures as an incentive to manage medical costs below the targets, but that component of the program was subsequently omitted in practice.

OmniCare-TN sought reimbursement from TennCare for exceptionally high medical expenses incurred by new OmniCare-TN enrollees in fiscal year 2002, including

for actuarially estimated claims incurred but not yet reported to OmniCare-TN. In response, TennCare amended its contract with OmniCare-TN in September 2002, retroactive to July 1, 2001 in some respects and to May 1, 2002 in other respects. The amendment states that OmniCare-TN's outside actuary certified the plan required $7.5 million to meet its statutory net worth requirement for the year ended June 30, 2002 and that OmniCare-TN "is a viable HMO under contract with TennCare on the same basis as other comparable HMOs in the program effective July 1, 2002."

Pursuant to such contractual amendment: OmniCare-TN retroactively elected an available risk option for the ten months from July 1, 2001 through April 30, 2002; TennCare retroactively agreed to reimburse OmniCare-TN on a no-risk ASO basis for medical services effective beginning May 1, 2002, and TennCare agreed to pay OmniCare-TN up to $7.5 million as necessary to meet its statutory net worth requirement as of June 30, 2002. Pursuant to an agreement between TennCare and OmniCare-TN in October 2002, TennCare further agreed to pay additional funds to OmniCare-TN if future certified actuarial data confirm they are needed by OmniCare-TN to meet that requirement.

Under generally accepted accounting principles, the $7.5 million receivable was not recorded in fiscal 2002 financial statements but has been recorded in fiscal 2003 financial statements. Based on an actuarial determination, an additional $0.4 million of fiscal 2002 medical claims liability was recorded during fiscal 2003. In all, fiscal 2002 medical claims of $7.9 million were processed in the fiscal year ended June 30, 2003, and the same aggregate amount was recognized as revenue by OmniCare-TN.

OmniCare-TN's application for a commercial HMO license was approved on September 7, 2001. Management is not yet actively pursuing that commercial business, however, due to OmniCare-TN's substantially increased enrollment from members TennCare assigned from defunct other plans.

As of September 1, 2003, OmniCare-TN's total enrollment was 130,080 members, of whom 87% were Medicaid enrollees and 13% were Non-Medicaid enrollees.

MANAGED PLAN OPERATED BY THE COMPANY

OMNICARE-MI. As further described below, OmniCare-MI ceased to be a Managed Plan operated by the Company effective November 1, 2002.

OmniCare-MI is a not-for-profit, tax-exempt corporation headquartered in Detroit, Michigan and serving southeastern Michigan, operating in Wayne, Oakland, Macomb, Monroe and Washtenaw counties. Its history includes a number of innovations that were adopted and proved successful for the industry. While managed by the Company, it was the first network model HMO in the country and the first to capitate physician services in an IPA-model HMO (an Independent Practice Association model HMO does not employ physicians as staff, but instead contracts with associations or groups of independent physicians to provide services to HMO members). OmniCare-MI also created and implemented the first known mental health capitation carve out in 1983.

While managed by the Company, OmniCare-MI's enrollment was through companies that offered the health plan coverage to employees and their family members, through individual enrollment and through the State of Michigan's Medicaid program pursuant to an agreement with the Michigan Department of Community Health, which made HMO coverage available to eligible Medicaid beneficiaries in certain counties and mandatory in others.

On April 13, 2000, the Company funded an unsecured loan to OmniCare-MI evidenced by a surplus note of $7.7 million to enable OmniCare-MI to meet its minimum statutory requirement for net worth and working capital. The loan consisted of $4.0 million in cash and conversion of $3.7 million of management fees owed to the Company. Pursuant to the terms of the surplus note, interest and principal payments required approval by the Michigan Office of Financial and Insurance Services and were repayable only from any statutory surplus earnings of OmniCare-MI. Note interest was payable annually and forfeited if not then paid. Interest income of $0.9 million and $1.1 million on that and a similar earlier surplus note was forfeited for fiscal years 2002 and 2001, respectively. The note principal had no stated maturity or repayment date. The surplus notes were subordinated to all other claimants of OmniCare-MI. Based on an analysis of OmniCare-MI's projected cash flows, the Company recorded impairment losses on the valuation of the surplus notes which resulted in bad debt expense of $6.9 million for the year ended June 30, 2001. On July 29, 2002, claims of all creditors holding surplus notes from OmniCare-MI were permanently disallowed by the State circuit court order which approved OmniCare-MI's amended rehabilitation plan.

On May 1, 2000, approximately 28,000 members of the Detroit Medical Center's Medicaid managed care program were transferred to OmniCare-MI. The additional membership generated management fee revenue of $4.0 million in fiscal year 2001.

As a Michigan HMO, OmniCare-MI is subject to oversight by the State of Michigan's Commissioner of the Office of Financial and Insurance Services (the "Commissioner"). On July 31, 2001, pursuant to a motion by the Commissioner, a State circuit court judge entered an order of rehabilitation of OmniCare-MI (the "Order") and appointed the Commissioner as Rehabilitator of OmniCare-MI. The Order directed the Rehabilitator to administer all of OmniCare-MI's assets and business while attempting to effectuate its rehabilitation, preserve its provider network and maintain uninterrupted health care services to the greatest extent possible.

The Order required the Company to continue performing all services under its OmniCare-MI management agreement, which the Company did until that agreement's termination on November 1, 2002, pursuant to OmniCare-MI's court-approved rehabilitation plan.

The OmniCare-MI management agreement was amended December 14, 2001, effective August 1, 2001. The amendment reduced the Company's management fee revenues from OmniCare-MI beginning August 1, 2001, by changing the methodology for determining the Company's management fee from a fixed percentage (14%) of premiums earned by OmniCare-MI to a cost-based fee, which was equivalent to approximately 10% of premiums earned beginning in August 2001, subject to adjustment to appropriately reflect the Company's actual costs of performing the management agreement. The amendment continued unchanged the other basic terms of the Company's management agreement with OmniCare-MI as summarized in Table A under "Managed Plans" above.

GOVERNMENT REGULATION

The Company is and/or has been subject to extensive federal and state health care and insurance regulations designed primarily to protect enrollees in the Managed Plans, particularly with respect to government sponsored enrollees. Such regulations govern many aspects of the Company's business affairs and typically empower state agencies to review management agreements with health care plans for, among other things, reasonableness of charges. Among the other areas regulated by federal and state law are licensure requirements, premium rate

increases, new product offerings, procedures for quality assurance, enrollment requirements, covered benefits, service area expansion, provider relationships and the financial condition of the managed plans, including cash reserve requirements and dividend restrictions. There can be no assurances that the Company or OmniCare-TN will be granted the necessary approvals for new products or will maintain federal qualifications or state licensure.

The licensing and operation of OmniCare-TN are governed by the Tennessee statutes and regulations applicable to health maintenance organizations. The licenses are subject to denial, limitation, suspension or revocation if there is a determination that the plan is operating out of compliance with the state's HMO statute, failing to provide quality health services, establishing rates that are unfair or unreasonable, failing to fulfill obligations under outstanding agreements or operating on an unsound fiscal basis. OmniCare-TN is not a federally-qualified HMO and, therefore, is not subject to the federal HMO Act.

Federal and state regulation of health care plans and managed care products is subject to frequent change, varies from jurisdiction to jurisdiction and generally gives responsible administrative agencies broad discretion. Laws and regulations relating to the Company's business are subject to amendment and/or interpretation in each jurisdiction. In particular, legislation mandating managed care for Medicaid recipients is often subject to change and may not initially be accompanied by administrative rules and guidelines. Changes in federal or state governmental regulation could affect the Company's operations, profitability and business prospects. While the Company is unable to predict what additional government regulations, if any, affecting its business may be enacted in the future or how existing or future regulations may be interpreted, regulatory revisions may have a material adverse effect on the Company.

INSURANCE

The Company presently carries comprehensive general liability, directors and officers liability, property, business automobile, and workers' compensation insurance. Management believes that

coverage levels under these policies are adequate in view of the risks associated with the Company's business. In addition, the Managed Plans (including OmniCare-MI while managed by the Company) have professional liability insurance that covers liability claims arising from medical malpractice. OmniCare-TN is required to pay the insurance premiums under the terms of the Company's management agreement. There can be no assurance as to the future availability or cost of such insurance, or that the Company's business risks will be maintained within the limits of such insurance coverage.

COMPETITION

The managed care industry is highly competitive. The Company directly competes with other entities that provide health care plan management services, some of which are nonprofit corporations and others which have significantly greater financial and administrative resources. The Company primarily competes on the basis of fee arrangements, cost effectiveness and the range and quality of services offered to prospective health care clients. While the Company believes that its experience gives it certain competitive advantages over existing and potential new competitors, there can be no assurance that the Company will be able to compete effectively in the future.

The Company competes with other HMOs, PPOs and insurance companies. The level of this competition may affect, among other things, the operating revenues of

OmniCare-TN and, therefore, the revenues of the Company. OmniCare-TN's primary market competitors in western Tennessee are TLC, Better Health Plans and TennCare Select. OmniCare-TN primarily competes on the basis of enrollments, provider networks and other related plan features and criteria. Management believes that OmniCare-TN is able to compete effectively with its primary market competitors.

EMPLOYEES

The Company's ability to maintain its competitive position and expand its business into new markets depends, in significant part, upon the maintenance of its relationships with various existing senior officers, as well as its ability to attract and retain qualified health care management professionals. The Company neither has nor intends to pursue any long-term employment agreement with any of its key personnel. Accordingly, there is no assurance that the Company will be able to maintain such relationships or attract such professionals.

The total number of employees at September 1, 2003 was 112 compared to 274 at October 1, 2002. The Company's employees do not belong to a collective bargaining unit and management considers its relations with employees to be good. The above-stated total number of employees at September 1, 2003 decreased by 169 at November 1, 2002 in connection with the termination of its OmniCare-MI management agreement, when OmniCare-MI commenced employing most of the Company employees (excluding officers) who provide services for OmniCare-MI. The Company gave termination notices, effective November 1, 2002, to its employees who provided services for OmniCare-MI but whom OmniCare-MI did not employ; and the Company had no severance payment obligations to any of those employees.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage management to provide prospective information about their companies without fear of litigation so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the statements. Certain statements contained in this Form 10-K annual report, including, without limitation, statements containing the words "believes," "anticipates," "will," "could," "may," "might" and words of similar import, constitute "forward-looking statements" within the meaning of this "safe harbor."

Such forward-looking statements are based on management's current expectations and involve known and unknown risks, uncertainties and other factors, many of which the Company is unable to predict or control, that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors potentially include, among others, the following:

1. Inability to increase premium rates commensurate with increases in medical costs due to utilization, government regulation, or other factors.

2. Discontinuation of, limitations upon, or restructuring of government-funded programs, including but not limited to the TennCare program.

3. The potential reenrollment of some of the approximately 7,900 OmniCare TN members disenrolled by TennCare since July 1, 2002 pursuant to its court-challenged eligibility reverification process that disenrolled approximately 166,000 TennCare members statewide.

4. Increases in medical costs, including increases in utilization and costs of medical services and the effects of actions by competitors or groups of providers.

5. Adverse state and federal legislation and initiatives, including: the State of Tennessee's limitations upon or reductions in premium payments; prohibition or limitation of capitated arrangements or financial incentives to providers; federal and state benefit mandates (including mandatory length of stay and emergency room coverage); limitations on the ability to manage care and utilization; and any willing provider or pharmacy laws.

6. Failure to obtain new customer bases or members or retain or regain customer bases or members, or reductions in work force by existing customers.

7. Increased competition between current organizations, the entrance of new competitors and the introduction of new products by new and existing competitors.

8. Adverse publicity and media coverage.

9. Inability to carry out marketing and sales plans.

10. Loss or retirement of key executives.

11. Termination of provider contracts or renegotiations at less cost-effective rates or terms of payment.

12. Adverse regulatory determinations resulting in loss or limitations of licensure, certification or contracts with governmental payors.

13. Higher sales, administrative or general expenses occasioned by the need for additional advertising, marketing, administrative or management information systems expenditures.

14. Increases by regulatory authorities of minimum capital, reserve and other financial solvency requirements.

15. Denial of accreditation by quality accrediting agencies, e.g., the National Committee for Quality Assurance (NCQA).

16. Adverse results from significant litigation matters.

17. Inability to maintain or obtain satisfactory bank loan credit arrangements.

18. Increased costs to comply with the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

ITEM 2. PROPERTIES

The Company currently leases approximately 34,000 aggregate square feet from which it conducts its operations in Michigan and Tennessee. In addition, the Company has arranged a sublease of all its former premises (approximately 54,000 square feet) in Detroit, Michigan, to OmniCare-MI, retroactive to November 1, 2002 and expiring at its lease end in May 2005. The principal offices of the Company are located at 300 River Place, Suite 4950, Detroit, Michigan, where it currently leases approximately 2,000 square feet of office space.

The Company believes that its current facilities provide sufficient space suitable for all of its activities and that sufficient other space will be available on reasonable terms, if needed.

ITEM 3. LEGAL PROCEEDINGS

On April 17, 2003, the Chancery Court for Madison County, Tennessee, entered an Agreed Order of Dismissal dismissing with prejudice the entire action entitled Jackson-Madison County General Hospital District, Plaintiff and Counter-Defendant, v. OmniCare Health Plan, Inc. (i.e., OmniCare-TN), Defendant and Counter-Plaintiff. Pursuant to the Order and a Mutual Settlement Agreement and Release between the parties, both parties mutually released each other from all liability in the matter, with Jackson-Madison County General Hospital District responsible for court costs.

An action by Vanderbilt University in the Chancery Court for Davidson County, Tennessee: The plaintiff's complaint, filed February 18, 2002, alleged that OmniCare-TN breached a contract by paying less than the plaintiff's full charges for health services provided by its hospital and physician group to OmniCare-TN members. The plaintiff was not an OmniCare-TN participating provider, and OmniCare-TN reimbursed the plaintiff at non-participating provider rates. The complaint sought additional reimbursement of the difference between the rates paid by OmniCare-TN and 100% of the plaintiff's billed charges. On May 28, 2002, the court denied the plaintiff's motion for partial summary judgment on the issue of liability and further held there was no enforceable contract as a matter of law. On July 31, 2002, the plaintiff amended the complaint to add an equitable claim based on quantum meruit/implied contract, seeking payment of the reasonable value of its services to OmniCare-

TN members. OmniCare-TN answered the amended complaint on August 30, 2002, stating that it has paid the plaintiff in full for any services provided and asserting affirmative defenses, including that no express or implied contract existed between the parties. On July 7, 2003, the court entered an amended scheduling order setting a November 28, 2003 deadline for pretrial discovery and a trial date in April 2004.

A lawsuit entitled 1155 Brewery Park, LLC v. United American Healthcare Corporation was filed June 30, 2003 in the Circuit Court for the County of Wayne in Michigan, for partial rent under the lease of the Company's former office space in Detroit plus service fees, interest and attorney fees allegedly due. The Company has filed an answer and affirmative defenses to the complaint, and discovery has not yet begun in the case. The Company recognized a charge in the second quarter of fiscal year 2003 for all such partial rent through the lease end in May 2005 (see Note 13 to the consolidated financial statements in this annual report). Management expects that the eventual outcome of the lawsuit will not materially adversely affect the Company's financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Shares of the Company's Common Stock have been traded on the Nasdaq SmallCap Market since January 2, 2003, under the trading symbol "UAHC". Prior thereto, shares of the Company's Common Stock were traded since May 16, 2002 on the NASDAQ National Market. Shares of the Company's Common Stock earlier were traded on the OTC Bulletin Board with the symbol "UAH".

The table below sets forth for the Common Stock the range of the high and low sales prices on the NASDAQ SmallCap or National Market or high and low bid quotations on the OTC Bulletin Board, as applicable, for each quarter in the past two fiscal years.

	2003 SALES PRICE OR BID QUOTATION	
FISCAL QUARTER	HIGH	LOW
First	$ 4.80	$ 1.80
Second	$ 2.14	0.88
Third	$ 1.18	0.76
Fourth	2.05	0.96

As of September 19, 2003, the closing price of the Common Stock was $3.21 per share and there were approximately 201 shareholders of record of the Company.

The Company has not paid any cash dividends on its Common Stock since its initial public offering in the fourth quarter of fiscal 1991 and does not anticipate paying such dividends in the foreseeable future. The Company intends to retain earnings for use in the operation and expansion of its business.

ITEM 6. SELECTED FINANCIAL DATA

The following table shows consolidated financial data for the periods indicated:

	2003	2002	2001
Operating Data (Year ended June 30):		(in thousands, except	
Operating revenues	$ 24,530	$ 165,176	$ 105,3
Earnings (loss) from continuing			

operations	7,333	(9,259)	4,5
Earnings (loss) from discontinued operation, net of income taxes	(2,127)	(1,704)	(3,3
Net earnings (loss)	5,206	(10,963)	1,2
Earnings (loss) per common share from continuing operations - basic	$ 1.06	$ (1.35)	$ 0.
Net earnings (loss) per common share -- basic and diluted	$ 0.75	$ (1.60)	$ 0.
Weighted average common shares outstanding -- diluted	6,950	6,839	6,8
Balance Sheet Data (June 30):			
Cash and investments	4,963	$ 18,810	$ 24,7
Intangible assets, net	2,952	2,952	2,9
Total assets	15,114	33,336	41,6
Medical claims and benefits payable	591	24,495	19,8
Debt	1,766	2,869	3,4
Shareholders' equity	7,140	1,747	12,3

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

This Financial Review discusses the Company's results of operations, financial position and liquidity. This discussion should be read in conjunction with the consolidated financial statements and related notes thereto contained elsewhere in this annual report.

The Company provides comprehensive management and consulting services to managed care organizations, including health maintenance organizations ("HMOs") in Tennessee and (until November 1, 2002) Michigan, with a targeted mix of Medicaid and commercial enrollment.

OmniCare Health Plan, in Michigan ("OmniCare-MI"), an HMO then administered by the Company under a management agreement, was placed in court-ordered rehabilitation proceedings on July 31, 2001, which relieved the Company from further funding OmniCare-MI's capital deficiencies and which continued its OmniCare-MI management agreement, with substantially reduced management fee revenues from OmniCare-MI beginning August 1, 2001. In March 2002, upon the court-appointed Rehabilitator's filing a proposed rehabilitation plan for OmniCare-MI, the Company announced it anticipated eventual termination of the management agreement. Such termination occurred November 1, 2002, after which the Company's only managed plan has been OmniCare Health Plan, Inc., in Tennessee ("OmniCare-TN"), an HMO which is 75% owned by the Company's wholly owned subsidiary. Accordingly, the consolidated financial statements in this annual report have been restated to present the operations related to managing OmniCare-MI as a discontinued operation.

Beginning July 1, 2002, TennCare implemented an 18-month stabilization program which entailed changes to TennCare's contracts with MCOs, including OmniCare-TN. During that period, MCOs are generally compensated for administrative services only (commonly called "ASO"), earn fixed administrative fees, are not at risk for medical costs in excess of targets established based on various factors and are subject to increased oversight. These matters are more fully discussed and analyzed below under the heading "Review of Consolidated Results of Operations -

2002 Compared to 2001."

The following are earlier events which notably affected results of operations for fiscal years covered by the consolidated financial statements contained elsewhere in this annual report.

In September 1998, effective August 31, 1998, CHF was sold for $17.75 million, comprised of cash and $15.75 million in buyer's notes. On August 16, 1999, the Company was paid $8.5 million, the remaining principal balance of the notes and accrued interest, net of a $0.25 million discount to induce the buyer to prepay the notes. All proceeds were used to reduce the Company's bank indebtedness.

Pursuant to a stock repurchase plan of the Company's Board of Directors, 237,100 Company common shares were repurchased in the open market and retired in July 1999.

On April 13, 2000, the Company funded an unsecured loan to OmniCare-MI evidenced by a surplus note of $7.7 million to enable OmniCare-MI to meet its minimum statutory requirement for net worth and working capital. The loan consisted of $4.0 million in cash and conversion of $3.7 million of management fees owed to the Company. Pursuant to the terms of the surplus note, interest and principal payments required approval by the Michigan Office of Financial and Insurance Services and were repayable only from any statutory surplus earnings of OmniCare-MI. Note interest was payable annually and forfeited if not then paid. Interest income of $0.9 million and $1.1 million on that and a similar earlier surplus note was forfeited for fiscal years 2002 and 2001, respectively. The note principal had no stated maturity or repayment date. The surplus notes were subordinated to all other claimants of OmniCare-MI. Based on an analysis of OmniCare-MI's projected cash flows, the Company recorded impairment losses on the valuation of the surplus notes which resulted in bad debt expense of $6.9 million for the year ended June 30, 2001. On July 29, 2002, claims of all creditors holding surplus notes from OmniCare-MI were permanently disallowed by the State circuit court order which approved OmniCare-MI's amended rehabilitation plan.

On July 14, 2000, the State of Michigan notified OmniCare-MI it was a successful bidder in the bid process for increased Medicaid rates and continued eligibility as an HMO providing coverage to enrollees of the State's Comprehensive Health Care Program for Medicaid beneficiaries. OmniCare-MI accordingly was awarded a rate increase and extension of its contract with the State.

In April 1998, a Florida health care administration agency notified the Company of intent to enforce its agreement to reimburse UltraMedix's contracted Medicaid providers for certain services which the Agency had paid for on enrollees' behalf, limited to the amount of surplus UltraMedix would have had to maintain under the Medicaid contract absent such agreement. The Company established at December 31, 1997 a $6.4 million estimated medical claims reserve for UltraMedix and maintained it until March 31, 2000, when the Company concluded the continuing reserve requirement should be $0.8 million, and therefore reduced the $6.4 million reserve by $5.6 million and offset that amount against medical services expenses. At March 31, 2001, the Company eliminated the remaining reserve of $0.8 million.

In fiscal 1998, based on an evaluation of the net recoverable value of the Company's investment in PhilCare, a Pennsylvania HMO that was 49% owned by a wholly owned subsidiary of the Company, the Company recorded a full impairment loss against its $2.1 million investment. PhilCare was dissolved in fiscal 2000. PhilCare assets were then distributed to such subsidiary pursuant to agreements

under which it contributed those assets, and the Company recovered its $2.1 million investment in PhilCare, resulting in a gain in that amount for fiscal 2000.

Effective July 1, 2000, OmniCare-TN entered into a new 42-month contract with the State of Tennessee's TennCare Program. The contract provided for an approximate 4.5% increase in average premiums effective July 1, 2000 and a further 4% increase effective July 1, 2001, with future increases to be determined by the State of Tennessee. Such increases were in lieu of the quarterly adverse selection payments previously made by TennCare to compensate managed care organizations for substantial adverse costs incurred due to the nature of the services they offer and their treatment of a high risk population.

On September 20, 2000, the Company made an additional cash contribution of $0.9 million to OmniCare-TN in exchange for additional preferred stock of OmniCare-TN. The cash contribution was made to enable OmniCare-TN to meet minimum statutory requirements for net worth.

REVIEW OF CONSOLIDATED RESULTS OF OPERATIONS - 2003 COMPARED TO 2002

OMNICARE-TN DEVELOPMENTS

It should be noted initially in this discussion that fiscal 2002 was a year of significant changes for OmniCare-TN and the other managed care organizations ("MCOs") having contracts with TennCare, a State of Tennessee program that provides medical benefits to Medicaid and working uninsured and uninsurable recipients. In a climate of continually rising medical costs, several of TennCare's major

MCOs ceased doing business in fiscal 2002. In contrast, TennCare has expressly regarded OmniCare-TN as one of TennCare's viable MCOs.

OmniCare-TN experienced a combination of circumstances in the fourth quarter of fiscal 2002 which were unexpected and not foreseeable by management. Beginning in February, March and April 2002, OmniCare-TN noticed increases in its claims payments, investigated, and found that approximately 9,500 new members added in September-December 2001 represented children with special needs with medical costs over 100% of the premiums received, and that many members transferred to OmniCare-TN from failed MCOs also had medical costs in excess of OmniCare-TN's premiums received. Beginning in April 2002, OmniCare-TN wrote to TennCare seeking risk adjustments and reimbursements to compensate OmniCare-TN for such medical expenses, including for actuarially estimated claims incurred but not yet reported to OmniCare-TN.

TennCare responded to its MCOs' situation generally and in some instances individually. For all its contracted MCOs generally, TennCare changed its reimbursement system to an administrative services only ("ASO") program for an 18-month stabilization period (July 1, 2002 through December 31, 2003), during which the MCOs - including OmniCare-TN - have no medical cost risk (i.e., no risk for medical losses), earn fixed administrative fees and are subject to increased oversight. Under such ASO program as originally established, the Company expected to earn limited additional administrative fees, based on certain performance measures as an incentive to manage medical costs below the targets. However, the Governor of Tennessee and Tenncare representatives later publicly stated in discussions with the Tennessee legislature and elsewhere that no incentive payments would be made because of that state's and TennCare's budget situation. TennCare stated at the inception of the ASO program that it intends to return to a full risk system after the end of the 18-month

stabilization period at January 1, 2004. This remains the Company's current understanding of TennCare's intention in this regard.

TennCare responded to OmniCare-TN's situation individually as well. In September 2002, OmniCare-TN and the State of Tennessee, doing business as TennCare, amended the Contractor Risk Agreement between them. Pursuant to the amendment:

- Retroactively effective July 1, 2001 through April 30, 2002, OmniCare-TN elected to operate under a shared risk arrangement, under which gains or losses are shared with the State of Tennessee;

- retroactively effective beginning May 1, 2002, OmniCare-TN is reimbursed under an administrative services only agreement with no risk of medical loss; and

- the State of Tennessee agreed to pay OmniCare-TN up to $7.5 million as necessary to meet its statutory net worth requirement as of June 30, 2002.

Pursuant to a further agreement with OmniCare-TN in October 2002, the State of Tennessee agreed to pay additional funds to OmniCare-TN if future certified actuarial data confirm they are needed by OmniCare-TN to meet its statutory net worth requirement as of June 30, 2002.

Under generally accepted accounting principles, such $7.5 million was not recorded in the Company's fiscal 2002 financial statements but has been recorded in its fiscal 2003 financial statements as fiscal 2002 claims were processed. Based on an actuarial determination, an additional $0.4 million of fiscal 2002 medical claims liability was recorded during fiscal 2003. In all, fiscal 2002 medical claims of $7.9 million were processed, in the fiscal year ended June 30, 2003, and the aggregate amount was recognized as revenue by OmniCare-TN.

Beginning July 1, 2002 TennCare disenrolled approximately 166,000 enrollees statewide in an eligibility reverification process. In December 2002, a U.S. District Court judge in Tennessee ruled that such process was flawed. In March 2003, TennCare and Tennessee Governor Phil Bredesan announced that all disenrolled members will have a year-long grace period until March 31, 2004 to prove if they actually meet the eligibility requirements and thereby have their wrongful disenrollment cancelled and their enrollment restored retroactively. OmniCare-TN expects re-enrollment, in some instances retroactively to July 1, 2002, of some of its approximately 7,900 affected working uninsured or uninsurable members.

As of June 30, 2003, OmniCare-TN's total enrollment was 130,080 members, compared to 120,000 at October 1, 2002. The increase in members is attributed to the assignment of 19,857 members by TennCare on June 1, 2002 offset by the loss of approximately 7,900 members as discussed in the previous paragraph.

OMNICARE-MI DEVELOPMENTS

It should be noted initially in this discussion that the Company's longstanding management agreement with OmniCare-MI ended effective November 1, 2002. The consolidated financial statements have been restated to present the operations related to managing OmniCare-MI as a discontinued operation.

As a Michigan HMO, OmniCare-MI is subject to oversight by the State of Michigan's Commissioner of the Office of Financial and Insurance Services (the "Commissioner"). On July 31, 2001, pursuant to a motion by the Commissioner, a State circuit court judge entered an order of rehabilitation of OmniCare-MI (the "Order") and appointed the Commissioner as Rehabilitator of OmniCare-MI. The

Order directed the Rehabilitator to administer all of OmniCare-MI's assets and business while attempting to effectuate its rehabilitation, preserve its provider network and maintain uninterrupted health care services to the greatest extent possible. Pursuant to and since the Order, through the management agreement's termination date, the Rehabilitator's appointed special deputy served as the Chief Executive Officer of OmniCare-MI.

The OmniCare-MI management agreement was amended on December 14, 2001, effective August 1, 2001 (the second month of fiscal 2002). Pursuant to the amendment, OmniCare-MI paid all of its own expenses commencing as of August 1, 2002, except for personnel, rent and depreciation, which the Company continued to pay. The amendment reduced the Company's management fee revenues from OmniCare-MI beginning August 1, 2001, by changing the methodology for determining the management fee from a fixed percentage (14%) of premiums earned by OmniCare-MI to a cost-

based fee, which was equivalent to approximately 10% of premiums earned beginning in August 2001, subject to adjustment to reflect the Company's actual costs of performing the management agreement.

The Order beneficially relieved the Company from further funding OmniCare-MI's capital deficiencies through unsecured loans and forgiving earned management fees. The Order required the Company to continue performing all services under its OmniCare-MI management agreement, which continued through October 31, 2002. That agreement terminated November 1, 2002 pursuant to notice received from OmniCare-MI in accordance with its amended rehabilitation plan, which a State circuit court judge approved on July 29, 2002.

Because of its resulting workforce reduction, the Company made plans to sublease all of its then principal office premises in Detroit, Michigan, to OmniCare-MI, retroactive to November 1, 2002, and expiring at the lease end in May 2005, and to sell to OmniCare-MI furniture, a telephone system and certain computer hardware and software that the Company chose to leave there. Management had expected both parties to finalize and sign the sublease, and close the sale of such assets, in the fourth quarter of fiscal 2003, but that has been delayed due to the unique circumstance explained in the next paragraph below. OmniCare-MI commenced its occupancy of the premises on November 1, 2002 and the Company remained in a portion of the premises until it moved its principal offices to new leased premises in Detroit on February 3, 2002.

On April 11, 2003, the Governor of Michigan appointed Linda A. Watters as the new Commissioner of the Office of Financial and Insurance Services. Ms. Watters had served on the Company's Board of Directors continually since 2000 and resigned that office on the same date she became the new Commissioner (as required to avoid any possible appearance of a conflict of interest and not as the result of any disagreement with the Company). Because of the new Commissioner's prior association with the Company, the State circuit court judge who retained jurisdiction over OmniCare-MI's rehabilitation proceedings then required that a designated independent person replace the Rehabilitator's (i.e., Commissioner's) special deputy who had been dealing with the sublease and assets purchase, which personnel change on OmniCare-MI's part accounts for the delay in signing the sublease and closing the assets sale. Management now expects to complete the signing of the sublease and the sale of assets in the next several months.

In connection with the November 1, 2002 termination of its OmniCare-MI management agreement, the Company recorded a $1.8 million loss from discontinued

operations in the second quarter of fiscal 2003. Such loss was due in part to: (i) a $0.6 million write-down of assets held for sale in excess of the anticipated selling price for the pending sale of assets described above; (ii) the above-described sublease, which is expected to cost the Company approximately $0.04 million per month through the remainder of the lease, ending in May 2005, resulting in a loss of $1.2 million recorded in the second quarter of fiscal 2003, which was offset by a $0.6 million write-down of a deferred rent liability associated with the original lease; and (iii) a bad debt charge of $0.3 million recorded because management determined the collectability of that amount of receivables from OmniCare-MI is doubtful. The recorded charges discussed above were offset by management fees from OmniCare-MI of $0.8 million.

OTHER COMPARISON OF 2003 TO 2002

Medical premium revenues were $7.9 million in the fiscal year ended June 30, 2003, a decrease of $155.3 million (95%) from $163.1 million in the fiscal year ended June 30, 2002. Such $7.9 million of medical premium revenues in fiscal 2003 represent the fiscal 2002 medical claims processed and disbursed pursuant to the TennCare commitment discussed above. The decrease from the prior year came from OmniCare-TN as the result of TennCare's changing its reimbursement system to an ASO program for an 18-month stabilization period beginning July 1, 2002, as described under "Overview" above. Fixed administrative fees related to the ASO program were $14.8 million for the fiscal year ended June 30, 2003.

Interest and other income decreased $0.2 million (10%) to $1.9 million in the fiscal year ended June 30, 2003 from $2.1 million in the fiscal year ended June 30, 2002.

Because of TennCare's new ASO reimbursement system, medical services expenses were $0.4 million in the fiscal year ended June 30, 2003 and relate totally to fiscal 2002 claims, as compared with medical services expenses of $155.0 million in the fiscal year ended June 30, 2002. The percentage of medical services expenses to medical premium revenues -- the medical loss ratio ("MLR") -- was 95% for the fiscal year ended June 30, 2002 for OmniCare-TN due to the assignment of 49,000 members in fiscal 2002 that disproportionately exceeded Omni-TN's normal medical services expense experience.

Marketing, general and administrative expenses decreased approximately $2.3 million (13%), to $15.7 million in the fiscal year ended June 30, 2003 from $18.0 million in the fiscal year ended June 30, 2002. The decrease is principally due to reduced advertising costs and TennCare's payment of premium tax as a result of the ASO arrangement referred to above.

Depreciation and amortization expense decreased $0.02 million (8%), to $0.3 million in the fiscal year ended June 30, 2003 from $0.32 million in the fiscal year ended June 30, 2002.

Interest expense decreased $0.08 million (35%), to $0.14 million in the fiscal year ended June 30, 2003 from $0.22 million in the fiscal year ended June 30, 2002, due to debt reduction of $1.1 million and decreases in the prime rate.

Total expenses were $16.6 million in the fiscal year ended June 30, 2003, compared to $173.6 million in the fiscal year ended June 30, 2002, a decrease of $157.1 million (90%).

Income tax expense decreased $0.2 million (21%), to $0.6 million in the fiscal year ended June 30, 2003 from $0.8 million in the fiscal year ended June 30, 2002. The Company's effective tax rate for the fiscal year ended June 30, 2003

was 8% and differs from the statutory rate of 34%. This difference is primarily a result of the utilization of net operating loss carryforwards which reduced the effective tax rate by 25 percentage points. Furthermore, the release of certain tax liabilities that management deemed to be no longer needed reduced the effective tax rate by 1 percentage point.

The Company recognized earnings from continuing operations before income taxes of $8.0 million in the fiscal year ended June 30, 2003, compared to a loss before income taxes of $8.4 million in the fiscal year ended June 30, 2002. Earnings from continuing operations were $7.3 million, or $1.06 per basic share, in the fiscal year ended June 30, 2003, compared to a loss from continuing operations of $9.3 million, or $1.35 per basic share, in the fiscal year ended June 30, 2002, an increase of $16.6 million, or $2.41 per basic share. The increase in earnings is primarily due to the amendment to OmniCare-TN's TennCare contract in September 2002, retroactive to July 1, 2001 in some respects and to May 1, 2002 in other respects, as described under "Overview" above. In the amendment, the State of Tennessee agreed to pay OmniCare-TN up to $7.5 million as necessary to meet its statutory net worth requirement as of June 30, 2002. OmniCare-TN received a permitted practice letter from the State of Tennessee to include such $7.5 million receivable in its statutory net worth at June 30, 2002. Under generally accepted accounting principles, the $7.5 million receivable was not recorded in fiscal 2002 financial statements but has been recorded in fiscal 2003 financial statements. Based on an actuarial determination, an additional $0.4 million of fiscal 2002 medical claims liability was recorded during fiscal 2003. The change in the estimated reimbursement from the State of Tennessee offset the corresponding change in the medical claims liability, still resulting in $7.5 million of net earnings in fiscal year 2003. In all, fiscal 2002 medical claims of $7.9 million were processed in the fiscal year ended June 30, 2003, and the same aggregate amount was recognized as revenue by OmniCare-TN.

The Company recognized a loss from discontinued operations of $2.1 million in the fiscal year ended June 30, 2003 compared to a loss from discontinued operations of $1.7 million in the fiscal year ended June 30, 2002 as the result of the termination of the Company's longstanding management agreement with OmniCare-MI, effective November 1, 2002. See "Overview" above for more detailed discussion and analysis of such loss from discontinued operations.

Net earnings were $5.2 million, or $0.75 per basic share, in the fiscal year ended June 30, 2003 compared to a net loss of $11.0 million, or $1.60 per basic share, in the fiscal year ended June 30, 2002. Such increase in net earnings is principally due to OmniCare-TN's contractual amendment with TennCare offset by the loss from discontinued operations, described above.

REVIEW OF CONSOLIDATED RESULTED OPERATIONS - 2002 COMPARED TO 2001

Total revenues increased $59.8 million (57%) to $165.1 million in the fiscal year ended June 30, 2002 from $105.3 million in the fiscal year ended June 30, 2001.

Medical premium revenues were $163.1 million in the fiscal year ended June 30, 2002, an increase of $60.0 million (58%) from medical premium revenues of $103.0 million in the fiscal year ended June 30, 2001.

Medical premium revenues for OmniCare-TN increased $67.3 million (72%), to $160.6 million in the fiscal year ended June 30, 2002, from $93.3 million in the fiscal year ended June 30, 2001. This was attributable in part to an increase in

member months, and in part to a decrease in the OmniCare-TN per member per month revenue rate as described in the following paragraph. Member months increased 524,000 (86%) to 1,130,000 in the fiscal year ended June 30, 2002 from 606,000 in the

fiscal year ended June 30, 2001, and accounted for a $74.4 million increase in OmniCare-TN's medical premium revenues.

The total OmniCare-TN per member per month ("PMPM") revenue rate - based on an average membership of 94,200 for the fiscal year ended June 30, 2002 compared to 50,500 for the fiscal year ended June 30, 2001 - was $142 PMPM for the fiscal year ended June 30, 2002 compared to $154 PMPM for the fiscal year ended June 30, 2001, a decrease of $12 PMPM (8%), which accounted for a decrease of $7.1 million in OmniCare-TN's medical premium revenues.

Premium revenues from the County Care program totaled $2.5 million for the fiscal year ended June 30, 2002, compared to $9.7 million for the fiscal year ended June 30, 2001. In fiscal 2002, such revenues were only in the three months ended September 30, 2001, when the County Care contract expired, at the Company's election.

Interest and other income decreased $0.2 million (10%) to $2.1 million in the fiscal year ended June 30, 2002 from $2.3 million in the fiscal year ended June 30, 2001.

Total expenses were $173.6 million in the fiscal year ended June 30, 2002, compared to $102.3 million in the fiscal year ended June 30, 2001, an increase of $71.3 million (70%).

Medical services expenses were $155.1 million in the fiscal year ended June 30, 2002, an increase of $69.4 million (81%) from medical services expenses of $85.7 million in the fiscal year ended June 30, 2001.

Medical services expenses for OmniCare-TN increased $74.5 million (96%), to $152.4 million in the fiscal year ended June 30, 2002 from $77.9 million in the fiscal year ended June 30, 2001. The OmniCare-TN overall percentage of medical services expenses to medical premium revenues - the medical loss ratio ("MLR") - was 95% for the fiscal year ended June 30, 2002 and 85% for the fiscal year ended June 30, 2001. The fiscal 2002 OmniCare-TN MLR includes an approximate 11% increase due to a fourth quarter increase in the medical claims liability of $11.2 million related to the assignment of new members by TennCare.

As a result of other MCOs which had contracts with TennCare ceasing to serve their enrollees or being unable to take on new enrollees, OmniCare-TN was assigned approximately 9,000 members by TennCare in the first half of fiscal 2002 and an additional 40,000 members in February 2002. Medical services expenses for such new OmniCare-TN members disproportionately exceeded OmniCare-TN's normal PMPM experience and adversely affected its earnings for the remainder of fiscal 2002. See "2002 Compared to 2001 -- OmniCare-TN Developments" above regarding TennCare's favorable response to OmniCare-TN's requests for risk adjustments and reimbursements to compensate it for such medical expenses.

Medical services expenses for County Care were $2.7 million in the fiscal year ended June 30, 2002, a decrease of $5.1 million (65%) from medical services expenses of $7.8 million in the fiscal year ended June 30, 2001. The County Care MLR for the fiscal year ended June 30, 2002 was 108% compared to 88% for the

fiscal year ended June 30, 2001. County Care operations began with inception of the contract in April 1999 and ceased, at the Company's election, upon the contract's September 30, 2001 expiration.

Marketing, general and administrative expenses increased $2.8 million (18%) to $18.0 million in the fiscal year ended June 30, 2002 from $15.2 million in the fiscal year ended June 30, 2001. This included, however, for OmniCare-TN, $2.0 million of increased claims processing costs and $1.3 million of increased premium taxes due to OmniCare-TN's significant membership increases.

Depreciation and amortization decreased $0.6 million (67%) to $0.3 million in the fiscal year ended June 30, 2002 from $1.0 million in the fiscal year ended June 30, 2001.

Interest expense decreased $0.2 million (46%) to $0.2 million in the fiscal year ended June 30, 2002 from $0.4 million in the fiscal year ended June 30, 2001, due to bank debt reduction of $0.6 million and a two percentage points decrease in the prime rate for the majority of fiscal year 2002.

The Company recognized a loss from discontinued operations of $1.7 million in the fiscal year ended June 30, 2002 compared to a loss from discontinued operations of $3.3 million in the fiscal year ended June 30, 2001 as the result of the termination of the Company's longstanding management agreement with OmniCare-MI, effective November 1, 2002. The loss in fiscal year 2002 is primarily attributed to an impairment loss equal to the $2.4 million remaining carrying value of the patient care software system which the Company had purchased to fulfill a requirement of the State of Michigan's Office of Financial and Insurance Services to implement such a system for OmniCare-MI. The system was not in use at June 30, 2002 and Company management recognized that the system would not be used by OmniCare-MI because its management agreement with the Company would terminate November 1, 2002.

The Company recognized a loss from continuing operations before income taxes of $8.4 million for the year ended June 30, 2002 compared to earnings from continuing operations before income taxes of $3.0 million for the year ended June 30, 2001. The net loss for the year ended June 30, 2002 was $11.0 million, or $1.60 per share, compared to net earnings of $1.2 million, or $0.18 per share, for the year ended June 30, 2001.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2003, the Company had (i) cash and cash equivalents and short-term marketable securities of $4.7 million, compared to $18.8 million at June 30, 2002; (ii) positive working capital of $1.7 million, compared to negative working capital of $3.7 million at June 30, 2002; and (iii) a current assets-to-current liabilities ratio of 1.26-to-1.0, compared to 0.87-to-1 at June 30, 2002.

Net cash used in operating activities was $12.6 million in fiscal 2003 compared to net cash used in operating activities of $5.1 million in fiscal 2002. Investing activities in fiscal 2003 included the purchase of equipment of $0.07 million and the purchase of marketable securities of $0.3 million, offset by proceeds from the sale or maturity of marketable securities of $15.8 million. Debt repayments were $1.1 million in fiscal 2003.

Cash and marketable securities decreased by $ 14.1 million at June 30, 2003 compared to June 30, 2002, due primarily to operating needs of $12.6 million and

debt repayments of $1.1 million.

Accounts receivable decreased by $2.0 million at June 30, 2003 compared to June 30, 2002, primarily because of TennCare's new ASO reimbursement system referred to above.

Property, plant and equipment decreased by $1.9 million at June 30, 2003 compared to June 30, 2002, due an impairment charge associated with a pending sale of certain furniture, equipment and software and the recording of depreciation of $0.3 million.

Medical claims payable decreased by $23.9 million at June 30, 2003 compared to June 30, 2002, which is directly related to the payment of OmniCare-TN fiscal 2002 medical claims processed during the period, and TennCare's new ASO reimbursement system.

OmniCare-TN sought reimbursement from TennCare for exceptionally high medical expenses incurred by new OmniCare-TN enrollees in fiscal year 2002, including for actuarially estimated claims incurred but not yet reported to OmniCare-TN. In response, TennCare amended its contract with OmniCare-TN in September 2002, retroactive to July 1, 2001 in some respects and to May 1, 2002 in other respects. The amendment states that OmniCare-TN's outside actuary certified the plan required $7.5 million to meet its statutory net worth requirement for the year ended June 30, 2002 and that OmniCare-TN "is a viable HMO under contract with TennCare on the same basis as other comparable HMOs in the program effective July 1, 2002."

OmniCare-TN received a permitted practice letter from the State of Tennessee to include such $7.5 million receivable in its statutory net worth at June 30, 2002. Pursuant to an agreement between TennCare and OmniCare-TN in October 2002, TennCare further agreed to pay additional funds to OmniCare-TN if future certified actuarial data confirm they are needed by OmniCare-TN to meet its statutory net worth requirement as of June 30, 2002. Under generally accepted accounting principles, the $7.5 million receivable was not recorded in fiscal 2002 financial statements but has been recorded in fiscal 2003 financial statements. Based on an actuarial determination, an additional $0.4 million of fiscal 2002 medical claims liability was recorded during fiscal 2003. In all, fiscal 2002 medical claims of $7.9 million were processed in the fiscal year ended June 30, 2003, and the same aggregate amount was recognized as revenue by OmniCare-TN.

OmniCare-TN's application for a commercial HMO license was approved on September 7, 2001. Management is not yet actively pursuing that commercial business, however, due to OmniCare-TN's substantially increased enrollment from members TennCare assigned from defunct other plans, together with adapting to TennCare's 18-month stabilization program.

Beginning July 1, 2002, TennCare implemented an 18-month stabilization program which entailed changes to TennCare's contracts with MCOs, including OmniCare-TN. During that period, MCOs are generally compensated for administrative services only (commonly called "ASO"), earn fixed administrative fees, are not at risk for medical costs in excess of targets established based on various factors, are subject to increased oversight, and may incur financial penalties for not achieving certain performance requirements. Under such ASO program as originally established, the Company expected to earn limited additional administrative fees, based on certain performance measures as an incentive to manage medical costs below the targets. However, the Governor of Tennessee and Tenncare representatives later publicly stated in discussions with the Tennessee legislature and

elsewhere that no incentive payments would be made because of that state's and TennCare's budget situation. TennCare stated at the inception of the ASO program that it intends to return to a full risk system after the end of the 18-month stabilization period at January 1, 2004. This remains the Company's current understanding of TennCare's intention in this regard.

The Company has arranged for a sublease to OmniCare-MI of all of the Company's leased premises in Detroit, Michigan, retroactive to November 1, 2002 and expiring at the end of the lease in May 2005. This arrangement will cost the Company approximately $40,000 per month through the remainder of the lease.

The Company currently has a $1.8 million term loan with Standard Federal Bank, N.A. repayable in monthly installments of principal and interest of $0.1 million, with an interest rate equal to the bank's prime rate (4.25% at June 30, 2003) plus one percent per annum, and a maturity date of September 30, 2004. The loan agreement is collateralized by a security interest in all of the Company's personal property.

The Company's ability to generate adequate amounts of cash to meet its future cash needs depends on a number of factors, particularly including its ability to control administrative costs, related to the ASO arrangement for the TennCare program and controlling corporate overhead costs. On the basis of the matters discussed above, management believes at this time that the Company has the ability to generate sufficient cash to adequately support its financial requirements through the next twelve months, maintain compliance with bank financial covenants, and maintain minimum statutory net worth requirements of OmniCare-TN.

RECENTLY ENACTED PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") has issued the following new accounting standards and interpretations, which may be applicable in the future to the Company:

SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The Company has adopted SFAS 148 according to the disclosure-only provisions of SFAS No. 123 and has implemented disclosure for all interim periods beginning March 31, 2003 of pro-forma earnings per share if the Company had elected to recognize compensation cost based on the fair value of the options at grant date.

SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," provides standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The Statement is effective for financial instruments entered into or modified after May 31, 2003 and for pre-existing instruments as of the beginning of the first interim period beginning after June 15, 2003. The adoption of this standard had no effect on the Corporation's financial condition or results of operations.

FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others an interpretation of SFAS No. 5, 57, and 107 and rescission of FASB Interpretation No. 34," was issued in November 2002. FIN 45 clarifies the requirements of SFAS No. 5, "Accounting for Contingencies," relating to a guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. The adoption of FIN 45 related to initial recognition and measurement of guarantees did not have an impact on the net income or equity of the Company.

FIN 46, "Consolidation of Variable Interest Entities, an interpretation of ARB 51," was issued. The primary objectives of FIN 46 are to provide guidance on the identification and consolidation of variable interest entities, or VIE's, which are entities for which control is achieved through means other than through voting rights. The Company has completed an analysis of FIN 46 and has determined that it does not have any VIEs.

ITEM 8. FINANCIAL STATEMENTS

Presented beginning at page F-1 of this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None except as previously reported on Forms 8-K and 8-K/A on March 5 and 10, 2003.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated herein by reference to United American Healthcare Corporation definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the year covered by this Form 10-K with respect to its Annual Meeting of Shareholders to be held on November 14, 2003.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference to United American Healthcare Corporation definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the year covered by this Form 10-K with respect to its Annual Meeting of Shareholders to be held on November 14, 2003.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference to United American Healthcare Corporation definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the year covered by this Form 10-K with respect to its Annual Meeting of Shareholders to be held on November 14, 2003.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by reference to United American Healthcare Corporation definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the year covered by this Form 10-K with respect to its Annual Meeting of Shareholders to be held on November 14, 2003.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated herein by reference to United American Healthcare Corporation definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the year covered by this Form 10-K with respect to its Annual Meeting of Shareholders to be held on November 14, 2003 is the information set forth in such proxy statement under the headings "Audit Fees" and "Audit Committee Pre-Approval Policies and Procedures."

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

a) (1) & (2) The financial statements listed in the accompanying Index to Consolidated Financial Statements at page F-1 are filed as part of this Form 10-K report.

3) The Exhibit Index lists the exhibits required by Item 601 of Regulation S-K to be filed as a part of this Form 10-K report. The Exhibit Index identifies those documents which are exhibits filed herewith or incorporated by reference to (i) the Company's Form S-1 Registration Statement under the Securities Act of 1933, as amended, declared effective on April 23, 1991 (Commission File No. 33-36760); (ii) the Company's Form 10-K reports for its fiscal years ended June 30, 1993, 1994, 1995, 1996, 1997, 1998, 1999 and 2001; (iii) the Company's 10-K/A report filed October 14, 1996; (iv) the Company's Form 10-Q reports for its quarters ended March 31, 1996, September 30, 1996, December 31, 1996, March 31, 1997, March 31, 1998 and December 31, 1998; (v) the Company's Form 8-K reports filed with the Commission August 8, 1991, April 23, 1993, May 24, 1993, January 29, 1996, April 19, 1996, October 30, 1997, January 20, 1998, January 14, 2000, March 5, 2003 and April 15, 2003; or (vi) the Company's Form 8-K/A reports filed with the Commission July 21, 1993, November 12, 1997 and March 10, 2003. The Exhibit Index is hereby incorporated by reference into this Item 15.

Reports on Form 8-K

1) The Company filed a Current Report on Form 8-K on March 5, 2003, announcing a change in its certifying accountant.

2) The Company filed a Current Report on Form 8-K/A on March 10, 2003, supplementing its above-described filing to attach as an exhibit a letter from its former certifying accountant.

3) The Company filed a Current Report on Form 8-K on April 15, 2003, announcing two vacancies on its Board of Directors, one by resignation (due to the director's appointment by Michigan's Governor as the state's Commissioner of the Office of Financial and Insurance Services) and the other by death.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED AMERICAN HEALTHCARE CORPORATION (REGISTRANT)

By /s/ William C. Brooks

Chairman, President and Chief Executive Officer
(principal executive officer)

Date: September 24, 2003

By /s/ Stephen D. Harris

Chief Financial Officer
(principal financial officer)

Date: September 24, 2003

SIGNATURE	CAPACITY
/s/WILLIAM C. BROOKS William C. Brooks	Chairman, President and CEO (Principal Executive Officer)
/s/EMMETT S. MOTEN, JR. Emmett S. Moten, Jr.	Secretary and Director
/s/STEPHEN D. HARRIS Stephen D. Harris	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/OSBIE HOWARD Osbie Howard	Director
/s/RICHARD M. BROWN, D.O. Richard M. Brown, D.O.	Director
/s/WILLIAM B. FITZGERALD William B. Fitzgerald	Director
/s/DARREL W. FRANCIS Darrel W. Francis	Director
/s/TOM A. GOSS Tom A. Goss	Director
/s/RONALD E. HALL, SR. Ronald E. Hall, Sr.	Director
/s/PETER F. HURST, JR. Peter F. Hurst, Jr.	Director

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

F-1

INDEPENDENT AUDITORS' REPORT

Board of Directors
United American Healthcare Corporation:

We have audited the accompanying consolidated balance sheet of United American Healthcare Corporation and Subsidiaries as of June 30, 2003 and the related consolidated statement of operations, shareholders' equity and comprehensive income, and cash flows for the year ended June 30, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United American Healthcare Corporation and Subsidiaries as of June 30, 2003, and the results of their operations and their cash flows for the year ended June 30, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/Follmer Rudzewicz PLC

Southfield, Michigan
August 25, 2003

Independent Auditors' Report

The Board of Directors
United American Healthcare Corporation

We have audited the accompanying consolidated balance sheet of United American Healthcare Corporation and Subsidiaries as of June 30, 2002, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the years in the two-year period ended June 30, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United American Healthcare Corporation and Subsidiaries as of June 30, 2002, and the results of their operations and their cash flows for each of the years in the two-year period ended June 30, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 16 to the consolidated financial statements, the Company has restated the 2002 and 2001 consolidated financial statements to reflect certain discontinued operations.

/s/KPMG LLP

Detroit, Michigan
October 11, 2002, except for note 16, as to
which the date is September 23, 2003

UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS
Current assets
    Cash and cash equivalents
    Marketable securities
    Accounts Receivable -- State of Tennessee
    Other receivables
    Refundable income taxes
    Prepaid expenses and other
    Deferred income taxes

       Total current assets

Assets held for sale
Property and equipment, net
Goodwill
Marketable securities
Other assets

LIABILITIES AND SHAREHOLDERS' EQUITY
Current liabilities
    Current portion of long-term debt
    Medical claims payable
    Accounts payable and accrued expenses
    Accrued compensation and related benefits
    Other current liabilities

       Total current liabilities

Long-term debt, less current portion
Accrued rent

Total Liabilities

Shareholders' equity
    Preferred stock, 5,000,000 shares authorized; none issued
    Common stock, no par, 15,000,000 shares authorized; 7,034,249 and
      6,910,721 shares issued and outstanding at June 30, 2003 and 2002,
      respectively
    Retained deficit
    Accumulated other comprehensive income, net of deferred federal income
      taxes

Total Shareholders' Equity

See accompanying notes to the consolidated financial statements

UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	2003
REVENUES	
Medical premiums	$ 7,841
Fixed administrative fees	14,750
Interest and other income	1,939
Total revenues	24,530
EXPENSES	
Medical services	434
Marketing, general and administrative	15,680
Depreciation and amortization	296
Interest expense	140
Total expenses	16,550
Earnings (loss) from continuing operations before income taxes	7,980
Income tax expense (benefit)	647
Earnings (loss) from continuing operations	7,333
DISCONTINUED OPERATIONS	
Loss from discontinued operations	(2,127)
Net earnings (loss)	$ 5,206
NET EARNINGS (LOSS) PER COMMON SHARE -- BASIC	
Earnings (loss) from continuing operations	1.06
Loss from discontinued operations	(0.31)
Net earnings (loss) per common share	$ 0.75
Weighted average shares outstanding	6,941
NET EARNINGS (LOSS) PER COMMON SHARE -- DILUTED	
Earnings (loss) from continuing operations	1.06
Loss from discontinued operations	(0.31)
Net earnings (loss) per common share	$ 0.75
Weighted average shares outstanding	6,950

See accompanying notes to the consolidated financial statements.

UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
AND COMPREHENSIVE INCOME
(IN THOUSANDS)

	NUMBER OF COMMON SHARES	COMMON STOCK	RETAINED EARNINGS (ACCUMULATED DEFICIT)
BALANCE AT JUNE 30, 2000	6,779	$11,152	$ 59
Issuance of stock options	--	36	--
Comprehensive income:			
Net earnings	--	--	1,229
Unrealized loss on marketable securities, net of tax of $5	--	--	--
Total comprehensive income (loss)	--	--	1,229
BALANCE AT JUNE 30, 2001	6,779	11,188	1,288
Issuance of common stock	132	219	--
Comprehensive income:			
Net loss	--	--	(10,963)
Unrealized gain on marketable securities	--	--	--
Total comprehensive income (loss)	--	--	(10,963)
BALANCE AT JUNE 30, 2002	6,911	11,407	(9,675)
Issuance of common stock	148	163	--
Comprehensive income:			
Net earnings	--	--	5,206
Unrealized gain on marketable securities	--	--	--
Total comprehensive income	--	--	5,206
BALANCE AT JUNE 30, 2003	7,059	$11,570	$(4,469)

See accompanying notes to the consolidated financial statements.

UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	2003
OPERATING ACTIVITIES	
Net earnings (loss)	$ 5,206
Adjustments to reconcile net earnings (loss) to net cash	

provided by (used in) operating activities:	
Bad debt expense	847
Loss (gain) on disposal of assets	577
Loss on liquidation of investment	24
Depreciation and amortization	640
Accrued rent	367
Deferred income taxes	520
Stock awards	127
Changes in assets and liabilities	
Accounts receivable-State of Tennessee	581
Management fee receivable	--
Other receivables	514
Refundable federal income taxes	284
Prepaid expenses and other	454
Other assets	91
Medical claims payable	(23,904)
Accounts payable and accrued expenses	1,648
Accrued compensation and related benefits	(269)
Other current liabilities	(354)
Net cash provided by (used in) operating activities	(12,647)
INVESTING ACTIVITIES	
Purchase of marketable securities	(334)
Proceeds from the sale of marketable securities	15,784
Purchase of property and equipment	(68)
Proceeds from the sale of property and equipment	
Net cash provided by (used in) investing activities	15,382
FINANCING ACTIVITIES	
Payments made on debt	(1,104)
Repurchase of common stock	--
Issuance of common stock	36
Net cash used in financing activities	(1,068)
Net increase (decrease) in cash and cash equivalents	1,667
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,026
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,693

UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
(IN THOUSANDS)

	2003
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Interest paid	$ 133

Income taxes paid	$ --

See accompanying notes to the consolidated financial statements.

UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003, 2002 AND 2001

NOTE 1 - DESCRIPTION OF BUSINESS

United American Healthcare Corporation, together with its wholly and majority owned subsidiary (collectively, the "Company"), is a provider of health care services, including consulting services to managed care organizations and the provision of health care services in Tennessee and previously (until November 1, 2002) Michigan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of United American Healthcare Corporation, and its wholly owned operational subsidiary: United American of Tennessee, Inc. ("UA-TN") and Subsidiary. OmniCare Health Plan, Inc. ("OmniCare-TN") is a 75%-owned subsidiary of UA-TN. Also included in the consolidated financial statements are its non-operational wholly owned subsidiary, United American of Florida, Inc. ("UA-FL") and its 51% owned subsidiary, UltraMedix Healthcare Systems, Inc. ("UltraMedix"). The Company ceased activities related to UA-FL and UltraMedix in fiscal 1998. All significant intercompany transactions and balances have been eliminated in consolidation.

B. USE OF ESTIMATES. The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates as more information becomes available and any such difference could be significant. The most significant estimates that are susceptible to change in the near term relate to the determination of medical claims payable.

C. CASH AND CASH EQUIVALENTS. The Company considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents.

D. FAIR VALUE OF FINANCIAL INSTRUMENTS. The carrying value of cash and cash equivalents, receivables, marketable securities and debt approximate fair values of these instruments at June 30, 2003 and 2002.

UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003, 2002 AND 2001

E. MARKETABLE SECURITIES. Investments in marketable securities are primarily comprised of U.S. Treasury notes, debt issues of municipalities and foreign countries and common stocks all carried at fair value, based upon published quotations of the underlying securities, and six month certificates of deposit carried at cost plus interest earned, which approximates fair value. Marketable securities placed in escrow to meet statutory funding requirements, although considered available for sale, are not reasonably expected to be used in the normal operating cycle of the Company and are classified as non-current. All other securities available for sale are classified as current.

Premiums and discounts are amortized or accreted, respectively, over the life of the related debt security as adjustment to yield using the yield-to-maturity method. Interest and dividend income is recognized when earned. Realized gains and losses on investments in marketable securities are included in investment income and are derived using the specific identification method for determining the cost of the securities sold; unrealized gains and losses on marketable securities are reported as a separate component of shareholders' equity, net of the provision for deferred federal income taxes.

F. PROPERTY AND EQUIPMENT. Property and equipment are stated at cost. Expenditures and improvements, which add significantly to the productive capacity or extend the useful life of an asset, are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives of the major classes of property and equipment are as follows: furniture and fixtures -- 5 to 13 years; equipment -- 5 years; and computer software -- 2 to 5 years. Leasehold improvements are included in furniture and fixtures and are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life, which ranges from 5 to 13 years. The Company uses accelerated methods for income tax purposes.

G. GOODWILL. Goodwill resulting from business acquisitions is carried at cost. Effective July 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 eliminates the amortization of goodwill, but requires that the carrying amount of goodwill be tested for impairment at least annually at the reporting unit level, as defined, and will only be reduced if it is found to be impaired or is associated with assets sold or otherwise disposed of.

Management has assessed the remaining carrying amount of previously recorded goodwill of $3.0 million and determined that such amount is not impaired in accordance with SFAS NO. 142. Accordingly, goodwill impairment was not recorded for the years ended June 30, 2003 and 2002. Amortization expense of approximately $0.7 million, or $0.10 per share, was recorded for the year ended June 30, 2001. Had the provisions of SFAS

142 been applied for the year ended June 30, 2001, the Company's net earnings would have been $1.9 million or $0.28 per share for that year.

H. LONG-LIVED ASSETS. Following the criteria set forth in Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," long-lived assets and certain identifiable intangibles are reviewed by the Company for events or changes in circumstances which would indicate that the carrying value may not be recoverable. In making this determination, the Company considers a number of factors, including estimated future undiscounted cash flows associated with long-lived assets, current and historical operating and cash flow results and other economic factors. When any such impairment exists, the related assets are written down to fair value. Based upon its most recent analysis, the Company believes that long-lived assets are recorded at their net recoverable values.

I. MEDICAL CLAIMS PAYABLE. The Company provides for medical claims incurred but not reported and the cost of adjudicating claims based primarily on past experience, together with current factors, using accepted actuarial methods. Although considerable variability is inherent in such estimates, management believes that these reserves are adequate.

J. REVENUE RECOGNITION. Medical premium revenues are recognized in the month in which members are entitled to receive health care services. Medical premiums collected in advance are recorded as deferred revenues. Management fee revenues are recognized in the period the related services are performed. Per generally accepted accounting principles ("GAAP"), the Company's revenue recognition policy has been adjusted for Fiscal 2003 to reflect TennCare's administrative services only ("ASO") arrangement in which OmniCare-TN assumes no risk for medical claims. See Note 14 for further discussion.

K. MEDICAL SERVICES EXPENSE RECOGNITION. The Company contracts with various health care providers for the provision of certain medical services to its members and generally compensates those providers on a capitated and fee for service basis. The estimates for medical claims payable are regularly reviewed and adjusted as necessary, with such adjustments generally reflected in current operations.

L. STOP LOSS INSURANCE. Stop loss insurance premiums are reported as medical services expense, while the related insurance recoveries are reported as deductions from medical services expense.

M. INCOME TAXES. Deferred income tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their

respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the

period that involves the deferred tax assets and liabilities in the amount expected to be realized. Valuation allowances are established when necessary to reduce the deferred tax assets and liabilities in the amount expected to be realized. The deferred income tax provision or benefit generally reflects the net change in deferred income tax assets and liabilities during the year. The current income tax provision reflects the tax consequences of revenues and expenses currently taxable or deductible for the period.

N. STOCK BASED COMPENSATION. The Company has adopted SFAS No. 148 and the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." The Company records compensation expense for stock options only if the market price of the Company's stock, on the date of grant, exceeds the amount an individual must pay to acquire the stock, if dilutive. See Note 12 for further discussion.

O. EARNINGS PER SHARE. Basic net earnings per share excluding dilution has been computed by dividing net earnings by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed the same as basic except that the denominator also includes shares issuable upon assumed exercise of stock options.

For the fiscal years ended June 30, 2003, June 30, 2002 and June 30, 2001 the Company had outstanding stock options of 9,241, 0, and 29,030 common shares, respectively, having a dilutive effect on earnings per share.

P. SEGMENT INFORMATION. The Company reports financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Financial information is reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments.

Q. RECLASSIFICATION. Certain 2002 and 2001 amounts have been reclassified to conform with the 2003 presentation, which present the operations related to managing OmniCare-MI as a discontinued operation. Such reclassifications have no effect on net earnings (loss) as originally presented for those years. See Note 16 for further discussion.

NOTE 3 - ACQUISITIONS

OMNICARE HEALTH PLAN, INC. OF TENNESSEE (OMNICARE-TN)

In February 1994, the Company and its wholly owned subsidiary, UA-TN, entered into a long-term agreement to manage OmniCare-TN and, effective July 1994, acquired a 50% equity

interest in OmniCare-TN for $1.3 million in cash. Effective January 31, 1996, the Company purchased an additional 25% of the voting common stock and 100% of the preferred stock of OmniCare-TN. This increased the Company's ownership in the voting common stock of OmniCare-TN to 75%. The purchase price for the additional common stock and preferred stock of OmniCare-TN was $0.1 million and $10.9 million, respectively, of which $8.7 million was the conversion of OmniCare-TN debt to the Company into equity and $2.3 million was paid in cash. In July 1998 and September 2000, the Company made additional cash contributions of $0.75 million and $0.9 million, respectively, to OmniCare-TN, in exchange for additional preferred stock of OmniCare-TN.

This acquisition was accounted for under the purchase method of accounting. The excess of the purchase price over the fair value of the net assets acquired of $7.4 million has been recorded as goodwill, and was amortized over ten years on a straight-line basis until July 1, 2001. See Note 2g for further discussion. Results of operations are included in the accompanying financial statements effective with the date of purchase of the majority common stock ownership interest. In fiscal 1999, goodwill was reduced by $0.5 million as a result of the utilization of OmniCare-TN's net operating loss carryforwards ("NOL" or "NOLs") generated prior to January 31, 1996. The remaining NOLs related to OmniCare-TN were generated subsequent to January 31, 1996.

NOTE 4 -- MARKETABLE SECURITIES

A summary of estimated fair value, which approximates amortized cost, of marketable securities as of June 30, 2003 and 2002 is as follows (in thousands):

	2003	2002
Available for sale -- Current:		
Certificates of deposit	$ 1,000	$15,922
Equity and other securities	--	862
	1,000	16,784
Available for sale -- Noncurrent:		
U.S. government obligations	2,160	1,826
	2,160	1,826
	$ 3,160	$18,610

Certain of the Company's operations are obligated by state regulations to maintain a specified level of escrowed funds to assure the provision of healthcare services to enrollees. To fulfill these statutory requirements, the Company maintains funds in highly liquid escrowed investments, which amounted to $2.2 million and $1.8 million at June 30, 2003 and 2002, respectively.

NOTE 5 - CONCENTRATION OF RISK

During the years ended June 30, 2003, 2002 and 2001, approximately 87%, 91% and 71%, respectively, of the Company's revenues were derived from a single customer, TennCare, a State of Tennessee program that provides medical benefits to Medicaid and Working Uninsured recipients. Prior to the current administrative services only arrangement discussed in Note 14, TennCare withheld 5% of the Company's monthly capitation payment, which withheld amounts were distributed to the Company when certain informational filing requirements were met by the Company. Amounts withheld by TennCare as of June 30, 2003 and 2002 totaled approximately $0.0 million and $1.8 million, respectively. There are no withholdings by TennCare under the current administrative services only arrangement.

The Company had a long-term management agreement with OmniCare Health Plan, in Michigan ("OmniCare-MI"), which terminated on November 1, 2002. Pursuant to the management agreement, the Company provided management and consulting services to OmniCare-MI and was paid a percentage of revenues until August 1, 2001 and thereafter cost-based fee, from OmniCare-MI as a percentage of the Company's total revenues were 8%, 20% and 17% for the years ended June 30, 2003, 2002 and 2001, respectively. See Note 11 for further discussion of the OmniCare-MI management agreement.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at each June 30 consists of the following (in thousands):

	2003	2002
Furniture and fixtures	$ 863	$ 2,234
Equipment	2,636	11,729
Computer software	177	6,488
	3,676	20,451
Less accumulated depreciation and amortization	3,198	18,025
	$ 478	$ 2,426

See Note 16 for discussion on assets held for sale.

NOTE 7 - SURPLUS NOTES RECEIVABLE

On April 13, 2000 and June 30, 1998, the Company funded unsecured loans to OmniCare-MI, evidenced by surplus notes of $7.7 million and $4.6 million, respectively, to enable OmniCare-MI to meet its minimum statutory requirements for net worth and working capital. The $7.7 million loan consisted of $4.0 million in cash and conversion of $3.7 million of management fees owed to the Company. Pursuant to the terms of the surplus notes, interest and principal payments required approval by the State of Michigan's Office of Financial and Insurance Services ("OFIS") and were payable only from any statutory surplus earnings of OmniCare-MI. The fixed interest rate on the $7.7 million surplus note was 8.5% per annum, and the interest rate on the

$4.6 million surplus note was the prime rate (4.75% at June 30, 2002). Interest was payable annually and forfeited if not then paid. Interest income of $0.9 million and $1.1 million was forfeited for fiscal 2002 and 2001, respectively. The principal on the notes had no stated maturity or repayment date. The surplus notes were subordinated to all other claimants of OmniCare-MI.

On July 31, 2001, as a result of OmniCare-MI's deteriorating financial condition, the Ingham County Circuit Court of the State of Michigan granted a petition by the Commissioner of OFIS to place OmniCare-MI into rehabilitation proceedings. It was expected that such proceedings would result eventually in a court-approved rehabilitation plan for payment of OmniCare-MI's obligations to creditors existing prior to July 31, 2001, dependent upon OmniCare-MI's financial resources. Throughout fiscal 2001, the Company became aware of OmniCare-MI's adverse financial condition. As a result, there existed an inability to determine the probability of collection and the amount that would be potentially realized on the surplus notes outstanding. Therefore, in the third quarter of fiscal 2001, the Company recorded an impairment loss equal to the remaining carrying value of the surplus notes receivable from OmniCare-MI, resulting in $6.9 million of bad debt expense. On July 29, 2002, claims of all creditors holding surplus notes from OmniCare-MI were permanently disallowed by the State circuit court order which approved OmniCare-MI's amended rehabilitation plan.

NOTE 8 - LONG TERM DEBT

The Company currently has a $1.8 million term loan with Standard Federal Bank, N.A. It is repayable in monthly installments of principal and interest of $0.1 million, with an interest rate equal to the bank's prime rate (4.25% at June 30, 2003) plus one percent per annum, and a maturity date of September 30, 2004. The loan agreement is collateralized by a security interest in all of the Company's personal property.

The Company's outstanding debt at each June 30 is as follows (in thousands):

	2003	2002
Term loan	$1,766	$2,869

Less debt payable within one year	1,108	1,032
Long-term debt, less current portion	$ 658	$1,837

NOTE 9 -- MEDICAL CLAIMS PAYABLE

The Company has recorded a liability of $0.6 million and $24.5 million at June 30, 2003 and 2002, respectively, for unpaid claims and medical claims incurred by enrollees. The ultimate

settlement of medical claims may vary from the estimated amounts reported at June 30, 2003, 2002 and 2001.

The following table provides a reconciliation of the unpaid claims for the years ended June 30, 2003, 2002 and 2001 (in thousands):

	2003	2002
Balance at beginning of fiscal year	$ 24,495	$ 19,815
Incurred losses as related to current year	--	157,953
Incurred loss related to prior year	434	--
Reserve reversal related to prior year	--	(2,861)
Total losses incurred	434	155,092
Paid claims related to current year	--	132,734
Paid claims related to prior year	24,338	17,678
Total paid claims	24,338	150,412
Balance at end of fiscal year	$ 591	$ 24,495

Under an agreement with an insurer, 80% of inpatient medical claim costs in excess of $0.2 million up to $1.0 million per enrollee per year are paid by the insurer. The reserve reversal related to prior year of $0.8 million in fiscal 2001 was attributable to UltraMedix Healthcare Systems, Inc. (a Florida managed care organization which had been managed under a long-term agreement by the Company and its majority-owned subsidiary, UA-FL), which ceased operations and was placed in liquidation in March 1998. Company management concluded at March 31, 2001 that the previously established medical claims liability of $0.8 million should be zero.

NOTE 10 -- INCOME TAXES

The components of income tax expense (benefit) for each year ended June 30 are

as follows (in thousands):

	2003	2002
Continuing operations:		
Current expense	$ 127	$ 262
Deferred expense (credit)	1,592	(2,991)
Change in valuation allowance	(1,072)	3,547
	$ 647	$ 818

A reconciliation of the provision for income taxes for each year ended June 30 follows (in thousands):

	2003	2002
Income tax expense (benefit) at the statutory tax rate	$ 1,990	$(3,449)
State and city income tax	177	299
Utilization of AMT credit	--	--
Tax-exempt interest on municipal bonds	--	(13)
Non-deductible goodwill amortization	--	--
Utilization of NOL carryforward	--	--
Valuation allowance	(1,072)	3,547
Other, net	(448)	434
	$ 647	$ 818

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversals of deferred taxes, projected future taxable income, and tax planning strategies in making this assessment.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at June 30, 2003. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

As of June 30, 2003, the NOLs for federal income tax purposes expire from 2011

to 2021. Components of the Company's deferred tax assets and liabilities at each June 30 are (in thousands):

	2003	2
Deferred tax assets		
Accrued rent	$ 297	$
Bad debt expense	1,360	
Deferred compensation	135	
Net operating loss carryforward of consolidated losses	5,381	
Net operating loss carryforward of purchased subsidiary	1,563	
Alternative minimum tax credit carryforward	403	
Property and equipment	1,018	
Total gross deferred tax assets	10,157	1
Valuation allowance	(9,587)	(1
Total gross deferred tax liabilities	--	
Net deferred tax asset	$ 570	$

NOTE 11 - RELATED PARTY TRANSACTIONS

The Company had a long-term management agreement with OmniCare-MI from 1985 until November 1, 2002. OmniCare-MI was related to the Company via certain common officers and directors until July 31, 2001. During the period of such relationship, the agreement provided that: it would expire in December 2010; it was subject to review every five years and could be terminated without cause by OmniCare-MI at the time of the review or by either party with cause; the Company was required to pay certain administrative expenses associated with its activity on behalf of OmniCare-MI; and all costs associated with the management of OmniCare-MI were expensed as incurred.

A court order issued on July 31, 2001 placed OmniCare-MI in rehabilitation. Pursuant to the court order, the Company continued to perform the management agreement without interruption and no Company officers or directors were any longer OmniCare-MI officers or directors. The Company and OmniCare-MI amended the agreement effective as of August 1, 2001, reducing the Company's management fee percentage from a fixed percentage (14%) of premiums earned by OmniCare-MI to a cost-based fee beginning in August 2001, subject to adjustment to appropriately reflect the Company's costs of performing the contract, and continuing unchanged the agreement's other basic terms. The management agreement terminated November 1, 2002.

Health insurance for some of the Company's employees was provided by OmniCare-MI. The expense was $0.03 million, $0.6 million and $1.0 million for the years ended June 30, 2003, 2002 and 2001, respectively.

The Company then arranged in October 2002 for a sublease to OmniCare-MI of all of the Company's leased former office premises in Detroit, Michigan, commencing November 1, 2002 and expiring at the end of the lease in May 2005. This arrangement has and will cost the Company approximately $40,000 per month through the remainder of the lease.

NOTE 12 - BENEFIT AND OPTION PLANS

The Company offers a 401(k) retirement and savings plan that covers substantially all of its employees. Effective April 1, 2001, the Company has matched 50% of an employee's contribution up to 4% of the employee's salary. Prior to April 1, 2001, the Company matched 1% of compensation. Expenses related to the 401(k) plan were $45,653, $94,000 and $40,000 for the years ended June 30, 2003, 2002 and 2001, respectively.

The Company has reserved 200,000 common shares for its Employee Stock Purchase Plan ("ESPP"), which became effective October 1996, and enables all eligible employees of the Company to subscribe for shares of common stock on an annual offering date at a purchase price which is the lesser of 85% of the fair market value of the shares on the first day or the last day of the annual period. Employee contributions for each of the years ended June 30, 2003 and 2002 were zero.

On August 6, 1998, the Company's Board of Directors adopted the 1998 Stock Option Plan ("1998 Plan"). The 1998 Plan was approved by the Company's shareholders on November 12, 1998. The Company reserved an aggregate of 500,000 common shares for issuance upon exercise of options under the 1998 Plan. On September 9, 1998, December 15, 1998, February 3, 1999, November 10, 1999, May 3, 2001 November 30, 2001, and May 8, 2003 nonqualified options for a total of 325,000, 26,000, 5,000, 8,000, 50,000, 75,000, and 25,000 common shares, respectively, were granted under the 1998 Plan. The exercise prices of the options range from $0.63 to $5.08.

Independent of any stock option plan, on May 11, 1998 the Company granted nonqualified stock options for 100,000 common shares to the Company's prior President and reserved that number of common shares for issuance upon exercise of such options. Such options expired on May 11, 2003 without being exercised. On March 1, 2003, the Company granted nonqualified stock options for 100,000 common shares to the Company's President and CEO and reserved that number of common shares for issuance upon exercise of such options. Such options expire March 1, 2008 and are fully exercisable beginning March 1, 2005 at a price of $1.10 per share.

SFAS No. 148 and SFAS No. 123 prescribes a method of accounting and disclosure for stock-based compensation that recognizes compensation cost based on the fair value of options at grant date. In lieu of applying this fair value based method, a company may elect to disclose only the pro forma effects of such application. The Company has adopted SFAS No. 148 and the disclosure-only provisions of SFAS No. 123. Accordingly, if the Company had elected to recognize compensation cost based on the fair value of the options at grant date, the Company's earnings and earnings per share from continuing operations, assuming dilution, for fiscal 2003, 2002 and 2001 would have been the pro forma amounts

indicated below (in thousands, except per share amounts):

	2003
Earnings (loss) from continuing operations:	
Net earnings as reported	$ 7,333
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	74
Pro forma net earnings	$ 7,259
Earnings (loss) from continuing operations per share (Basic and Diluted):	
As reported	$ 1.06
Pro forma	$ 1.04

The fair value of options at date of grant was estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in fiscal 2003: dividend yield of 0%; expected volatility of 90.58%; risk free interest rate of 3.77%; and expected life of 10 years. The effects of applying SFAS No. 123 in the above pro forma disclosures are not necessarily indicative of future amounts, because additional stock option awards could be made in future years.

Information regarding the stock options for fiscal 2003, 2002 and 2001 follows (shares in thousands):

	OPTIONS OUTSTANDING		
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	AVERAGE REMAINING CONTRACTUAL
Options outstanding at June 30, 2001	495	$1.46	7.7 year
Granted	75	5.08	9.3 year
Exercised	(125)	0.63	--
Expired	--	--	--
Forfeited	(9)	1.25	--
Options outstanding at June 30, 2002	436	2.08	7.2 year
Granted	155	1.27	6.8 year

Exercised	(38)	0.96	--
Expired	(100)	1.38	--
Forfeited	(2)	1.25	--
Options outstanding at June 30, 2003	451	$2.03	7.2 year

Options for 13,000 common shares were available for grant under the 1998 Plan at the end of fiscal 2003.

NOTE 13 - LEASES

The Company leases its facilities and certain furniture and equipment under operating leases expiring at various dates through May 2005. Terms of the facility leases generally provide that the Company pay its pro rata share of all operating expenses, including insurance, property taxes and maintenance.

Rent expense for the years ended June 30, 2003, 2002 and 2001 totaled $1.9 million, $1.7 million and $1.6 million, respectively. Based on current commitments, the Company anticipates rent expense of $0.5 million for fiscal years 2004 and 2005.

The Company has arranged for a sublease to OmniCare-MI of all of the Company's leased former office premises in Detroit, Michigan, commencing November 1, 2002 and expiring at the

end of the lease in May 2005. This arrangement has and will cost the Company approximately $40,000 per month through the remainder of the lease. The Company recognized a charge of $0.6 million in the second quarter of fiscal 2003 relating to this sublease, which is included in discontinued operations.

NOTE 14 -- CONTRACTUAL RISK AGREEMENT

Beginning July 1, 2002, TennCare implemented an 18-month stabilization program which entailed changes to TennCare's contracts with MCOs, including OmniCare-TN. During that period, MCOs are generally compensated for administrative services only (commonly called "ASO"), earn fixed administrative fees, are not at risk for medical costs in excess of targets established based on various factors, are subject to increased oversight, and may incur financial penalties for not achieving certain performance requirements. TennCare has stated it intends to return to a full risk system after the end of the 18-month stabilization period at January 1, 2004.

In September 2002, OmniCare-TN and the State of Tennessee, doing business as TennCare, amended the Contractor Risk Agreement between them. Pursuant to the amendment:

- Retroactively effective July 1, 2001 through April 30, 2002, OmniCare-TN elected to operate under a shared risk arrangement, under which gains or losses are shared with the State of Tennessee;

- retroactively effective beginning May 1, 2002, OmniCare-TN is reimbursed under an administrative services only agreement with no risk of medical loss; and

- the State of Tennessee agreed to pay OmniCare-TN up to $7.5 million as necessary to meet its statutory net worth requirement as of June 30, 2002.

Pursuant to a further agreement with OmniCare-TN in October 2002, the State of Tennessee agreed to pay additional funds to OmniCare-TN if future certified actuarial data confirm they are needed by OmniCare-TN to meet its statutory net worth requirement as of June 30, 2002.

OmniCare-TN received a permitted practice letter from the State of Tennessee to include such $7.5 million receivable in its statutory net worth at June 30, 2002. Under generally accepted accounting principles, the $7.5 million receivable was not recorded in fiscal 2002 financial statements but has been recorded in fiscal 2003 financial statements. Based on an actuarial determination, an additional $0.4 million of fiscal 2002 medical claims liability was recorded during fiscal 2003. In all, fiscal 2002 medical claims of $7.9 million were processed in the fiscal year ended June 30, 2003, and the same aggregate amount was recognized as revenue by OmniCare TN pursuant to the State's TennCare amendment and further agreement discussed above in this Note 14.

NOTE 15 -- LIQUIDITY

The Company's ability to generate adequate earnings and cash to meet its future cash needs depends on a number of factors, which include the following:

- OmniCare-TN's expected re-enrollment, in some instances retroactively to July 1, 2002, of some of its approximately 7,900 working uninsured or uninsurable members whom TennCare disenrolled in an eligibility reverification process that dropped approximately 166,000 TennCare enrollees statewide since July 1, 2002. In December 2002, a U.S. District Court judge in Tennessee ruled that such process was flawed. In March 2003, TennCare and Tennessee Governor Phil Bredesan announced that all disenrolled members will have a year-long grace period until March 31, 2004 to prove if they actually meet the eligibility requirements and thereby have their wrongful disenrollment cancelled and their enrollment restored retroactively.

- The Company's ability to control administrative costs related to managing medical costs for the TennCare program and corporate overhead costs.

The outcome of the above matters could have an impact on the Company's ability to successfully meet ongoing obligations. The Company had expected to earn limited additional administrative fees under the current TennCare reimbursement system as originally established, based on certain performance measures as an incentive to manage medical costs below the targets. However, the Governor of Tennessee and TennCare representatives later publicly stated in discussions with the Tennessee legislature and elsewhere that no incentive payments would be made because of that state's and TennCare's budget situation. On the basis of the 19,857 additional new OmniCare-TN members effective June 1, 2003, the premium rate increase effective July 1, 2003, and the matters discussed in Note 14,

management believes at this time that the Company has the ability to generate sufficient earnings and cash to adequately support its financial requirements through the next twelve months, maintain compliance with bank financial covenants, and maintain minimum statutory net worth requirements of OmniCare-TN.

NOTE 16 -- DISCONTINUED OPERATIONS

The Company's longstanding management agreement with OmniCare-MI, ended effective November 1, 2002. Because of its resulting workforce reduction, the Company made plans to sublease all of its then principal office premises in Detroit, Michigan, to OmniCare-MI, retroactive to November 1, 2002, and expiring at the lease end in May 2005, and to sell to OmniCare-MI furniture, a telephone system and certain computer hardware and software that the Company chose to leave there. Management now expects to complete the signing of the sublease and the sale of assets by the third quarter of fiscal 2004. OmniCare-MI commenced its occupancy of the premises on November 1, 2002 and the Company remained in a portion of the premises until it moved its principal offices to new leased premises in Detroit on February 3, 2002.

In connection with the November 1, 2002 termination of its OmniCare-MI management agreement, the Company recorded a $1.8 million loss from discontinued operations in the second quarter of fiscal 2003. Such loss was due in part to: (i) a $0.6 million write-down of assets held for sale in

excess of the anticipated selling price for the pending sale of assets described above; (ii) the above-described sublease, which is expected to cost the Company approximately $0.04 million per month through the remainder of the lease, ending in May 2005, resulting in a loss of $1.2 million recorded in the second quarter of fiscal 2003, which was offset by a $0.6 million write-down of a deferred rent liability associated with the original lease; and (iii) a bad debt charge of $0.3 million recorded because management determined the collectability of that amount of receivables from OmniCare-MI is doubtful. The recorded charges discussed above were offset by management fees from OmniCare-MI of $0.8 million.

The loss in fiscal year 2002 of $1.7 million is primarily attributed to an impairment loss equal to the $2.4 million remaining carrying value of the patient care software system which the Company had purchased to fulfill a requirement of the State of Michigan's Office of Financial and Insurance Services to implement such a system for OmniCare-MI. The system was not in use at June 30, 2002 and Company management recognized that the system would not be used by OmniCare-MI because its management agreement with the Company would terminate November 1, 2002.

Summarized selected financial information for the discontinued operations is as follows:

	2003	2002
Management fees revenue	$ 3,395	$ 14,941

Loss from discontinued operations net of zero income taxes	$ (2,127)	$ (1,704)

NOTE 17- UNAUDITED SELECTED QUARTERLY FINANCIAL DATA

The following table presents selected quarterly financial data for the years ended June 30, 2003 and 2002 (in thousands, except per share data):

	THREE MONTHS END		
	JUNE 30,	MARCH 31,	DEC. 31,
2003			
Total revenues	$ 4,657	4,717	8,042
Net earnings	828	528	1,448
Net earnings per common share assuming dilution	$ 0.12	0.08	0.21
2002			
Total revenues	$ 52,859	$ 42,679	$ 33,715
Net earnings (loss)	(14,414)	299	1,033
Net earnings (loss) per common share assuming dilution	$ (2.10)	$ 0.04	$ 0.15

In the quarter ended June 30, 2002, the Company made the following significant adjustments: (i) increase in medical expenses of $11.2 million due to an increase in the medical loss ratio from 87% to 95% and (ii) loss of $2.4 million for the write-down of a claims conversion system.

UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003, 2002 AND 2001

NOTE 18 -- SEGMENT FINANCIAL INFORMATION

Summarized financial information for the Company's principal operations is as follows (in thousands):

2003	MANAGEMENT COMPANIES (1)	HMOS & MANAGED PLANS (2)
Revenues -- external customers	$ --	22,591
Revenues -- intersegment	13,291	--
Interest and other income	231	1,708
Total revenues	$ 13,522	24,299
Interest expense	$ 140	--

Earnings (loss) from continuing operations	(2,211)	9,544
Loss from discontinued operations	(2,127)	--
Segment assets	30,416	9,987
Purchase of equipment	68	--
Depreciation and amortization	296	--
2002		
Revenues -- external customers	$ --	$ 163,094
Revenues -- intersegment	16,191	--
Interest and other income	(13)	2,095
Total revenues	$ 16,178	$ 165,189
Interest expense	$ 216	$ --
Earnings (loss) from continuing operations	639	(9,898)
Loss from discontinued operations	(1,704)	--
Segment assets	29,485	23,836
Purchase of equipment	1,005	--
Depreciation and amortization	320	--
2001		
Revenues -- external customers	--	$ 103,004
Revenues -- intersegment	$ 11,731	--
Interest and other income	571	1,862
Total revenues	12,302	104,866
Interest expense	$ 401	--
Earnings (loss) from continuing operations	(1,458)	6,837
Loss from discontinued operations	(3,333)	--
Segment assets	30,194	29,714
Purchase of equipment	3,044	--
Depreciation and amortization	961	--

(1) Management Companies: United American Healthcare Corporation (2003, 2002, 2001), United American of Tennessee, Inc. (2003, 2002, 2001), and United American of Florida, Inc. (2001).

(2) HMOs and Managed Plans: OmniCare Health Plan of Tennessee (2003, 2002, 2001) and County Care (through September 30, 2001).

NOTE 19 - RECENTLY ENACTED PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") has issued the following new accounting standards and interpretations, which may be applicable in the future to the Company:

SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and

Disclosure," amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The Company has adopted SFAS 148 according to the disclosure-only provisions of SFAS No. 123 and has implemented disclosure for all interim periods beginning March 31, 2003 of pro-forma earnings per share if the Company had elected to recognize compensation cost based on the fair value of the options at grant date.

SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," provides standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The Statement is effective for financial instruments entered into or modified after May 31, 2003 and for pre-existing instruments as of the beginning of the first interim period beginning after June 15, 2003. The adoption of this standard had no effect on the Corporation's financial condition or results of operations.

FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others an interpretation of SFAS No. 5, 57, and 107 and rescission of FASB Interpretation No. 34," was issued in November 2002. FIN 45 clarifies the requirements of SFAS No. 5, "Accounting for Contingencies," relating to a guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. The adoption of FIN 45 related to initial recognition and measurement of guarantees did not have an impact on the net income or equity of the Company.

FIN 46, "Consolidation of Variable Interest Entities, an interpretation of ARB 51," was issued. The primary objectives of FIN 46 are to provide guidance on the identification and consolidation of variable interest entities, or VIE's, which are entities for which control is achieved through means other than through voting rights. The Company has completed an analysis of FIN 46 and has determined that it does not have any VIEs.

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT	INCORPORATED HEREIN BY REFERENCE TO
3.1	Restated Articles of Incorporation of Registrant	Exhibit 3.1 to the Registrant's Form S-1 Registration Statement under the Securities Act of 1933, as amended, declared effective on April 23, 199" ("1991 "-1")
3.1(a)	Certificate of Amendment to the Articles of Incorporation of Registrant	Exhibit 3.1(a) to 1991 S-1
3.2	Amended and Restated Bylaws of Registrant	Exhibit 3.2 to the Registrant's 1993 For 10-K
4.1	Incentive and Non-Incentive Stock Option Plan of Registrant effective March 25, 1991, as amended	Exhibit 4.1 to the Registrant's 1995 For 10-K

4.2	Form of Common Share Certificate	Exhibit 4.2 to the Registrant's 1995 For 10-K
10.1	Employees' Retirement Plan for Registrant dated May 1, 1985, with First Amendment thereto and Summary Plan Description therefore	Exhibit 10.1 to 1991 S-1
10.2	Management Agreement between Michigan Health Maintenance Organization Plans, Inc. and Registrant dated March 15, 1985, as amended June 12, 1985	Exhibit 10.2 to 1991 S-1
10.3	Management Agreement between U.A. Health Care Corporation and Personal Physician Care, Inc. dated March 18, 1987	Exhibit 10.3 to 1991 S-1
10.4	Amendment dated February 16, 1993 to Management Agreement between United American Healthcare Corporation and Personal Physician Care, Inc. dated	Exhibit 10.5 to the Registrant's 1995 Fo 10-K

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT	INCORPORATED HEREIN BY REFERENCE TO
	March 18, 1987	
10.5	Amendment dated June 16, 1994 to Management Agreement between U.A. Health Care Corporation and Personal Physician Care, Inc. dated March 18, 1987	Exhibit 10.4 to the Registrant's 1994 Fo 10-K
10.6	Management Agreement between OmniCare Health Plan, Inc. and United American of Tennessee, Inc. dated February 2, 1994	Exhibit 10.5 to Registrant's 1994 Form 1
10.7	Management Agreement between UltraMedix Health Care Systems, Inc. and United American of Florida, Inc. dated February 1, 1994	Exhibit 10.6 to Registrant's 1994 Form 1
10.8	Amendment dated September 4, 1995 to Management Agreement between UltraMedix Healthcare Systems, Inc. and United American of Florida, Inc. dated February 1, 1995	Exhibit 10.9 to the Registrant's 1995 Fo 10-K
10.9	Amendment dated September 20, 1995 to Management Agreement between UltraMedix Health Care Systems, Inc. and United American of	Exhibit 10.10 to Registrant's 1995 Form 10-K

	Florida, Inc. dated February 1, 1995	
10.10	Lease Agreement between 1155 Brewery Park Limited Partnership and Registrant dated July 24, 1991, effective May 1, 1992	Form 8-K filed August 8, 1991
10.11	Amendment dated December 8, 1993 to Lease agreement between 1155 Brewery Park Limited Partnership and	Exhibit 10.8 to the Registrant's 1994 Fo 10-K

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT	INCORPORATED HEREIN BY REFERENCE TO
	Registrant dated July 24, 1991	
10.12	Amendment dated April 15, 1993 to Lease Agreement between 1155 Brewery Park Limited Partnership and Registrant dated July 24, 1991	Exhibit 10.13 to Registrant's 1995 Form 10-K
10.13	Lease Agreement between Baltimore Center Associates Limited Partnership and Corporate Healthcare Financing, Inc. dated August 24, 1988, as amended April 12, 1993, effective the later of May 1, 1993 or the date premises are ready for occupancy	Exhibit 10.7 to the Registrant's 1993 Fo 10-K
10.14	Amendment dated May 11, 1994 (effective June 30, 1994) to Lease agreement between Baltimore Center Associates Limited Partnership and Corporate Healthcare Financing, Inc	Exhibit 10.11 to the Registrant's 1994 Form 10-K
10.15	Lease Agreement between CLW Realty Asset Group, Inc., as agent for The Prudential Insurance Company of America and United American of Florida dated May 31, 1994, effective June 1, 1994	Exhibit 10.2 to Registrant's 1994 Form 1
10.16	Lease Agreement between Fleming Companies, Inc. and United American of Tennessee dated June 30, 1994, effective the date premises are ready for	Exhibit 10.3 to Registrant's 1994 Form 1

EXHIBIT		INCORPORATED HEREIN BY

NUMBER	DESCRIPTION OF DOCUMENT	REFERENCE TO
	occupancy	
10.17	Lease Agreement between International Business Machines Corporation and Registrant dated August 29, 1994	Exhibit 10.19 to Registrant's 1995 Form 10-K
10.18	Amended and Restated Line of Credit Facility Agreement between Michigan National Bank and Registrant dated March 14, 1995	Exhibit 10.20 to Registrant's 1995 Form 10-K
10.19	Promissory notes between Michigan National Bank and Registrant dated August 26, 1993	Exhibit 10.9 to the Registrant's 1993 Fo 10-K
10.20	Asset Purchase Agreement between CHF, Inc., Healthcare Plan Management, Inc., CHF-HPM Limited Partnership, Louis J. Nicholas and Keith B. Sullivan and Registrant dated May 7, 1993	Form 8-K filed May 24, 1993 and Form 8-K filed July 21, 1993
10.21	Loan and Security Agreement between UltraMedix Health Care Systems, Inc. and United American of Florida dated February 1, 1994	Exhibit 10.18 to Registrant's 1994 Form 10-K
10.22	Amendment dated June 13, 1995 to the Loan and Security Agreement between UltraMedix Care Systems, Inc. and United American of Florida, Inc. dated February 1, 1994	Exhibit 10.26 to Registrant's 1995 Form 10-K
10.23	Form of Stock Transfer Services Agreement between Huntington National Bank and Registrant	Exhibit 10.19 to Registrant's 1994 Form 10-K
10.24	Employment Agreement between Julius V. Combs, M.D. and Registrant dated	Exhibit 10.15 to 1991 S-1

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT	INCORPORATED HEREIN BY REFERENCE TO
	March 15, 1991	
10.25	Employment Agreement between Ronald R. Dobbins and Registrant dated March 15, 1991	Exhibit 10.16 to 1991 S-1
10.26	Employment Agreement between Louis J. Nicholas and Corporate	Exhibit 10.22 to Registrant's 1994 Form 10-K

	Healthcare Financing, Inc. dated May 7, 1993	
10.27	First Amendment to Contingent Note Promissory Note between CHF-HPM Limited Partnership and the Registrant	Form 10-Q for the Quarter Ended March 31 1996, filed May 14, 1996
10.28	Acquisition of majority interest in OmniCare Health Plan, Inc. of Tennessee and UltraMedix Healthcare Systems, Inc.	Form 8-K filed April 19, 1996
10.29	Injured Workers' Insurance Fund Contract No. IWIF 9-96 Managed Care Contract with Statutory Benefits Management Corporation dated June 19, 1996	Form 10-K/A filed October 14, 1996, as amended
10.30	Ernst & Young LLP Report of Independent Auditors as of June 30, 1996	Exhibit 10.30 to Registrant's 1998 Form 10-K
10.31	Renaissance Center Office Lease between Renaissance Center Venture and Registrant	Form 10-Q for the Quarter Ended Septembe 30, 1996, filed November 13, 1996
10.32	Purchase Agreement between Statutory Benefits Management Corporation and Spectera, Inc.	Form 10-Q for the Quarter Ended December 31, 1996, filed February 10, 1997
10.33	Agreement of Purchase and	Form 10-K filed October 14,

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT	INCORPORATED HEREIN BY REFERENCE TO
	Sale of Stock, between CHF Acquisition, Inc. and the Registrant dated September 12, 1997	1997
10.34	Ernst & Young LLP Report of Independent Auditors as of June 30, 1997	Form 10-K filed October 14, 1997
10.35	Amended and Restated Business Loan Agreement between Michigan National Bank and Registrant dated March 12, 1998 (effective as of February 1, 1998)	Form 10-Q for the Quarter Ended March 31, 1998, filed May 15, 1998
10.36	Business Loan Agreement Addendum between Michigan National Bank and Registrant dated March 12, 1998 (effective as of February 1, 1998)	Form 10-Q for the Quarter Ended March 31, 1998, filed May 15, 1998

10.37	Promissory Note from Registrant to Michigan National Bank dated March 12, 1998 (effective as of February 1, 1998)	Form 10-Q for the Quarter Ended March 31, 1998, filed May 15, 1998
10.38	Employment Agreement between Gregory H. Moses, Jr. and Registrant dated May 11, 1998	Exhibit 10.38 to Registrant's 1998 Form 10-K
10.39	Amendment dated as of June 30, 1998 to Lease Agreement between 1155 Brewery Park Limited Partnership and Registrant dated June 24, 1991	Exhibit 10.39 to Registrant's 1998 Form 10-K
10.40	Termination of Lease between Renaissance Holdings, Inc. (successor to Renaissance Center Venture) and Registrant dated June 24,	Exhibit 10.40 to Registrant's 1998 Form 10-K

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT	INCORPORATED HEREIN BY REFERENCE TO
	1998	
10.41	United American Healthcare Corporation 1998 Stock Option Plan	Exhibit 10.41 to Registrant's 1998 Form 10-K
10.42	Stock Purchase Agreement among Registrant, CHFA, Inc. and Corporate Healthcare Financing, Inc. dated August 31, 1998	Exhibit 10.42 to Registrant's 1998 Form 10-K
10.43	Secured Promissory Note from CHFA, Inc. to Registrant dated August 31, 1998	Exhibit 10.43 to Registrant's 1998 Form 10-K
10.44	Unsecured Promissory Note from CHFA, Inc. to Registrant dated August 31, 1998	Exhibit 10.44 to Registrant's 1998 Form 10-K
10.45	Guaranty Agreement of Louis J. Nicholas dated August 31, 1998	Exhibit 10.45 to Registrant's 1998 Form 10-K
10.46	Pledge Agreement between CHFA, Inc. and Registrant dated August 31, 1998	Exhibit 10.46 to Registrant's 1998 Form 10-K
10.47	Amendment of Business Loan Agreement between Registrant and Michigan National Bank dated September 1, 1998	Exhibit 10.47 to Registrant's 1998 Form 10-K
10.48	Promissory Note of Registrant to Michigan National Bank dated September 1, 1998	Exhibit 10.48 to Registrant's 1998 Form 10-K

10.49	Pledge Agreement from Registrant to Michigan National Bank dated September 1, 1998	Exhibit 10.49 to Registrant's 1998 Form 10-K
10.50	Promissory Note from Registrant to UAH Securities Litigation Fund dated	Form 10-Q for the Quarter Ended December 31, 1998, filed February 16, 1999

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT	INCORPORATED HEREIN BY REFERENCE TO
	December 11, 1998	
10.51	Amendment of Promissory Note and Business Loan Agreement from Michigan National Bank dated May 6, 1999	Exhibit 10.51 to Registrant's 1999 Form 10-K
10.52	Provider Contract between Urban Hospital Care Plus and Registrant dated April 1, 1999	Exhibit 10.52 to Registrant's 1999 Form 10-K
10.53	Assignment and Assumption of Subleases and Security Deposits between International Business Machines Corporation and Registrant dated September 9, 1999	Exhibit 10.53 to Registrant's 1999 Form 10-K
10.54	Business Loan Agreement between Registrant and Michigan National Bank dated September 25, 2000	Exhibit 10.54 to Registrant's 2001 Form 10-K
10.55	Promissory Note of Registrant to Michigan National Bank dated September 25, 2000	Exhibit 10.55 to Registrant's 2001 Form 10-K
10.56	Security Agreement between Registrant and Michigan National Bank dated September 25, 2000	Exhibit 10.56 to Registrant's 2001 Form 10-K
10.57	Amendment of Business Loan Agreement with Standard Federal Bank N.A., dated November 29, 2001 and effective September 30, 2001.	Form 10-Q for the Quarter Ended December 31, 2001, filed February 14, 2002
10.58	Amended and Restated Promissory Note to Standard Federal Bank N.A., dated	Form 10-Q for the Quarter Ended December 31, 2001, filed February 14, 2002

EXHIBIT		INCORPORATED HEREIN BY

NUMBER	DESCRIPTION OF DOCUMENT	REFERENCE TO
	November 29, 2001 and effective September 30, 2001.	
10.59	Amendment to Management Agreement with OmniCare Health Plan dated December 14, 2001 and effective August 1, 2001.	Form 10-Q for the Quarter Ended December 31, 2001, filed February 14, 2002
10.60	Amendment of Business Loan Agreement with Standard Federal Bank N.A., dated October 11, 2002	Exhibit 10.60 to Registrant's 2002 Form 10-K
10.61	Amendment of Business Loan Agreement with Standard Federal Bank N.A., dated October 11, 2002 and effective September 30, 2002	Form 10-Q for the Quarter Ended Septembe 30, 2002, filed November 13, 2003
10.62	Letter amendment of Business Loan Agreement with Standard Federal Bank N.A., dated February 5, 2003	Form 10-Q for the Quarter Ended December 31, 2002, filed May 13, 2003
16.1	Concurring Letter regarding change in Certifying Accountants dated October 30, 1997, from Grant Thornton LLP	Form 8-K filed October 30, 1997
16.2	Concurring Letter regarding change in Certifying Accountants dated November 12, 1997, from Grant Thornton LLP	Form 8-K/A filed November 12, 1997
16.3	Concurring Letter regarding change in Certifying Accountants dated November 12, 1997, from Ernst & Young LLP	Form 8-K/A filed November 12, 1997

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT	INCORPORATED HEREIN BY REFERENCE TO
16.4	Concurring Letter regarding change in Certifying Accountants dated January 16, 1998, from Arthur Andersen LLP	Form 8-K filed January 20, 1998
16.5	Letter of KPMG LLP dated March 5, 2003 to the Securities and Exchange Commission.	Form 8-KA filed March 10, 2003
21	Subsidiaries of the Registrant	
31.1	Certification of Chief Executive Officer under Section 302 of the	

	Sarbanes-Oxley Act of 2002	
31.2	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002	
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350	
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350	
99.1	Press Release dated January 12, 1998	Form 8-K filed January 20, 1998
99.2	Press Release dated January 6, 2000	Form 8-K filed January 14, 2000