UNITED AMERICAN HEALTHCARE CORP
Form 10-Q
November 04, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE PERIOD ENDED SEPTEMBER 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 [ ]

THE NUMBER OF OUTSTANDING SHARES OF REGISTRANT'S COMMON STOCK AS OF OCTOBER 31, 2003 WAS 7,191,811

As filed with the Securities and Exchange Commission on November 4, 2003

UNITED AMERICAN HEALTHCARE CORPORATION

FORM 10-Q

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PART I.

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	SEPTEMBER 30, 2003 (Unaudited)
ASSETS	
Current assets	
Cash and cash equivalents	$ 5,267
Marketable securities	1,000
Accounts Receivable - State of Tennessee	1,027
Other receivables	1,240
Refundable federal income taxes	-
Prepaid expenses and other	130
Deferred income taxes	331
Total current assets	8,995
Assets held for sale	800
Property and equipment, net	446
Goodwill	2,952
Marketable securities	2,205
Other assets	586
	$ 15,984
LIABILITIES AND SHAREHOLDERS' EQUITY	

Current liabilities	
Current portion of long-term debt	$ 1,479
Medical claims payable	591
Accounts payable and accrued expenses	3,003
Accrued compensation and related benefits	493
Other current liabilities	1,395
Total current liabilities	6,963
Long-term debt, less current portion	-
Accrued rent	778
Total Liabilities	7,739
Shareholders' equity	
Preferred stock, 5,000,000 shares authorized; none issued	
Common stock, no par, 15,000,000 shares authorized; 7,191,811 and 7,034,247 issued and outstanding at September 30, 2003 and June 30, 2003, respectively	11,762
Retained deficit	(3,556)
Accumulated other comprehensive gain, net of income taxes	39
Total Shareholders' equity	8,245
	$ 15,984

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

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

	THREE MON SEPTEM 2003
REVENUES	
Medical premiums	$ 369
Fixed administrative fees	5,074
Interest and other income	285
Total revenues	5,728
EXPENSES	
Medical services	369
Marketing, general and administrative	3,915
Depreciation and amortization	63
Interest expense	20
Total expenses	4,367
Earnings before income taxes	1,361
Income tax expense	449

EARNINGS FROM CONTINUING OPERATIONS	912
DISCONTINUED OPERATIONS	
Loss from discontinued operations	-
NET EARNINGS	$ 912
NET EARNINGS PER COMMON SHARE - BASIC	
Earnings from continuing operations	0.13
Loss from discontinued operations	-
Net earnings per common share	$ 0.13
Weighted average shares outstanding	7,086
NET EARNINGS PER COMMON SHARE - DILUTED	
Earnings from continuing operations	0.13
Loss from discontinued operations	-
Net earnings per common share	$ 0.13
Weighted average shares outstanding	7,110

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

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

	THREE MON SEPTEMB 2003
CASH FLOWS FROM OPERATING ACTIVITIES	
Net earnings	$ 912
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation and amortization	63
Accrued rent	(94)
Deferred income taxes	239
Stock awards	165
Net changes in assets and liabilities	629
Net cash provided by (used in) operating activities	1,914
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of marketable securities	(45)
Purchase of property and equipment	(35)
Net cash provided by (used in) investing activities	(80)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments made on long-term debt	(287)

Issuance of common stock		27
Net cash used in financing activities		(260)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,574
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		3,693
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	5,267
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$	14

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-CONTINUED
SEPTEMBER 30, 2003 AND 2002

NOTE 1 - BASIS OF PREPARATION

The accompanying consolidated financial statements include the accounts of United American Healthcare Corporation and its wholly and majority-owned subsidiaries, together referred to as the "Company". All significant intercompany transactions and balances have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X as they apply to interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the financial position and results of operations have been included. The results of operations for the three-month period ended September 30, 2003 are not necessarily indicative of the results of operations for the full fiscal year ending June 30, 2004. The accompanying condensed consolidated financial statements should be read in conjunction with the notes to the financial statements contained in the most recent annual report on Form 10-K.

NOTE 2 - COMPREHENSIVE INCOME

The components of comprehensive income, net of related tax, are summarized as follows (in thousands):

	THREE MON SEPTEM
	2003

Net earnings	$ 912
Realized holding gains, net of deferred federal income taxes	-
Comprehensive income	$ 912

The components of accumulated other comprehensive income, included in shareholders' equity at September 30, 2003 and June 30, 2003, include net unrealized holding gains and losses, net of deferred federal income taxes.

UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-CONTINUED
SEPTEMBER 30, 2003 AND 2002

NOTE 3 - LONG-TERM DEBT

The Company currently has a $1.5 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 (4.00% at September 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 is as follows (in thousands):

	SEPTEMBER 30, 2003	JUNE 30, 2003
Term loan	$ 1,479	$ 1,766
Less debt payable within one year	1,479	1,108
Long-term debt, less current portion	$ -	$ 658

NOTE 4 - NET EARNINGS PER COMMON SHARE

Basic net earnings per share excluding dilution have been computed by dividing net earnings by the weighted-average number of common shares outstanding for the period. Diluted earnings per share are computed using the treasury stock method for outstanding stock options.

NOTE 5 - EFFECTIVE TAX RATE

The Company's effective tax rate for the first quarter of fiscal 2004 is equal to the statutory rate of 34%. In the first quarter of fiscal 2003, the effective tax rate was 12%, principally impacted by the Company's net operating loss carryforward position and the release of certain tax liabilities that were deemed no longer needed.

NOTE 6 - CONTRACTUAL RISK AGREEMENT

For all its contracted managed care organizations ("MCOs"), the State of

Tennessee, doing business as 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 Health Plan, Inc., in Tennessee ("OmniCare-TN"), a MCO 75%-owned by the Company's wholly owned subsidiary - have no medical cost risk (i.e., no risk for medical losses), earn fixed administrative fees, are subject to increased oversight, and may incur financial

penalties for not achieving certain performance requirements. The State of Tennessee's Finance Commissioner recently stated that a forthcoming report of the consulting firm, McKinsey & Co., is expected to identify "all types of options" for changes to the present TennCare reimbursement system following the 18-month stabilization period, and that such report will be the basis for a TennCare presentation to the Tennessee legislature in January 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 as fiscal 2002 claims are processed. Based on an actuarial determination, an additional $0.4 million of fiscal 2002 medical claims liability was recorded during fiscal 2003. For the three months ended September 30, 2003, an additional $0.4 million of such medical claims were processed, and the same amount was recognized as revenue by Omnicare TN.

NOTE 7 - 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.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-CONTINUED
SEPTEMBER 30, 2003 AND 2002

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, there was no goodwill impairment recorded for the three months ended September 30, 2003 and 2002.

NOTE 8 - 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, 2003.

In connection with the November 1, 2002 termination of its OmniCare-MI management agreement, the Company recorded a $0.4 million loss from discontinued operations in the first quarter of fiscal 2003. Such loss was principally due to a bad debt charge of $0.5 million recorded because management determined the collectability of that amount of receivables from OmniCare-MI is doubtful.

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

	THREE MON
	SEPTEMBER 30, 2003
Management fees	$ -
Loss from discontinued operations net of zero income taxes	$ -

NOTE 9 - STOCK OPTION PLANS

SFAS No. 123, "Accounting for Stock-Based Compensation," prescribes a method of accounting 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 the disclosure-only provisions of SFAS No. 123. In December 2002, SFAS No. 148, "Stock-Based Compensation," was issued, which requires that the Company illustrate the effect on net income and earnings per share if it had applied

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-CONTINUED
SEPTEMBER 30, 2003 AND 2002

the fair value principles included in SFAS No. 123 for both annual and interim financial statements. 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 the three months ended September 30, 2003 and 2002 would have been the pro forma amounts indicated below (in thousands, except per share amounts):

	THREE MONTHS ENDED SEPTEMBER 30, 2003	THREE MONTHS ENDED SEPTEMBER 30, 2002
Net earnings (loss):		
As reported	$ 912	$ 2,402
Pro forma	$ 912	$ 2,402
Net earnings (loss) per share:		
Basic and Dilutive as reported	$ 0.13	$ 0.35
Basic and Dilutive Pro forma	$ 0.13	$ 0.35

UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-CONTINUED
SEPTEMBER 30, 2003 AND 2002

NOTE 10 - UNAUDITED SEGMENT FINANCIAL INFORMATION

Summarized financial information for the Company's principal operations, as of and for the three months ended September 30, 2003 and 2002, is as follows (in thousands):

THREE MONTHS ENDED SEPTEMBER 30, 2003	MANAGEMENT COMPANIES (1)	HMOs & MANAGED PLANS (2)	CORPORATE & ELIMINATIONS	CONSOLIDA COMPANY
Revenues - external customers	$	$ 5,443	$	$ 5,4
Revenues - intersegment	4,567		(4,567)	
Interest and other income	40	245		2
Total revenues	$ 4,607	$ 5,688	$ (4,567)	$ 5,7

Interest expense	$ 20	$	$	$
Earnings (loss) from continuing operations	492	420		
Loss from discontinued operations	-			
Segment assets	33,573	10,542	(28,131)	15,9
Purchase of equipment	35	-		
Depreciation and amortization	63	-		
THREE MONTHS ENDED SEPTEMBER 30, 2002				
Revenues - external customers	$ -	$ 6,775	$ -	$ 6,7
Revenues - intersegment	3,266	-	(3,266)	
Interest and other income	64	275	-	3
Total revenues	$ 3,330	$ 7,050	$ (3,266)	$ 7,1
Interest expense	$ 54	$ -	$ -	$
Earnings (loss) from continuing operations	(415)	3,191	-	2,7
Loss from discontinued operations	(374)			(3
Segment assets	24,546	7,049	(16,094)	15,5
Purchase of equipment	39	-	-	
Depreciation and amortization	81	-	-	

(1) Management Companies: United American Healthcare Corporation and United American of Tennessee.

(2) HMOs and Managed Plans: OmniCare Health Plan, Inc. of Tennessee.

ITEM 2. 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 quarterly 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. As of September 30, 2003 there were approximately 130,000 enrollees in OmniCare-TN.

Total revenues decreased $1.4 million (20%), to $5.7 million for the quarter ended September 30, 2003 compared to $7.1 million for the quarter ended September 30, 2002, primarily due to a contractual amendment in September 2002, retroactive to July 1, 2001 in some respects and to May 1, 2002 in other respects. In this amendment, TennCare, a State of Tennessee program that provider medical benefits to Medicaid and working uninsured and uninsurable recipients, agreed to pay OmniCare-TN up to $7.5 million and additional funds 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 GAAP, such $7.5 million was recorded in its fiscal 2003 financial statements as fiscal 2002 claims were processed. For the quarter ended September 30, 2003, $0.4 million of such medical claims were processed compared to $2.7 million for the quarter ended September 30, 2002, and the same amount was recognized as revenue by Omnicare-TN.

Total expenses increased $0.5 million (13%), to $4.4 million for the quarter ended September 30, 2003 compared to $3.9 million for the quarter ended September 30, 2002, principally due to the amended TennCare contractual risk agreement for OmniCare-TN discussed above. Earnings from continuing operations before income taxes were $1.4 million for the quarter ended September 30, 2003, a $1.8 million decrease (56%) from $3.2 million for the quarter ended September 30, 2002. Earnings from continuing operations were $0.9 million, or $0.13 per basic share, for the quarter ended September 30, 2003 compared to $2.8 million, or $0.40 per basic share, for the quarter ended September 30, 2002. The decrease in earnings from continuing operations of $1.9 million, or $0.27 per basic share, is primarily due to the amended TennCare contractual risk agreement for OmniCare-TN discussed above.

The Company recognized no gain or loss from discontinued operations for the three months ended September 30, 2003 compared to a loss of $0.4 million for the three months ended September 30, 2002. The recorded loss was the result of the termination of the Company's longstanding management agreement with OmniCare-MI, effective November 1, 2002. Because of its resulting workforce reduction, the Company made plans to sublease all of its principal office premises in Detroit, Michigan, to OmniCare-MI, retroactively 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 expects both parties will finalize and sign the sublease, and close the sale of such assets, in the third quarter of fiscal 2004. Meanwhile, 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, 2003. The loss from discontinued operations recorded for the first quarter of fiscal 2003 was principally due to a bad debt charge of $0.5 million recorded because management determined the collectability of that amount of receivables from OmniCare-MI is doubtful.

Net earnings were $0.9 million, or $0.13 per basic share, for the three months ended September 30, 2003 compared to net earnings of $2.4 million, or $0.35 per basic share, for the three months ended September 30, 2002. Such decrease in net earnings is primarily due to the amended TennCare contractual risk agreement for OmniCare-TN discussed above.

FOR THREE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED TO
THREE MONTHS ENDED SEPTEMBER 30, 2002

Medical premiums revenues were $0.4 million in the three months ended September 30, 2003, a decrease of $2.3 million (85%) from $2.7 million in the three months ended September 30, 2002. Medical premiums revenues relate to an amended contractual risk agreement in which TennCare agreed to pay OmniCare-TN up to $7.5 million and additional funds as necessary to meet its statutory net worth requirement as of June 30, 2002. Such $7.5 million was recorded in fiscal 2003 financial statements as fiscal 2002 claims were processed. The $0.4 million of medical premium revenues represent fiscal 2002 claims processed and reimbursed by TennCare in the first quarter of fiscal 2004.

Fixed administrative fees related to TennCare's ASO program were $5.1 million for the quarter ended September 30, 2003, an increase of $1.0 million (24%) from $4.1 million in the three months ended September 30, 2002. The increase in fixed administrative fees is principally due to an increase in members and an increase in reimbursement rates effective July 1, 2003. Such fixed administrative fees are attributed to a change in the reimbursement system of TennCare. For all its contracted managed care organizations ("MCOs"), 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, are subject to increased oversight, and may incur financial penalties for not achieving certain performance requirements. (Incidentally, such ASO period began May 1, 2002 for OmniCare- TN pursuant to an amendment to its TennCare contract.) The State of Tennessee's Finance Commissioner recently stated that a forthcoming report of the consulting firm, McKinsey & Co., is expected to identify "all types of options" for changes to the present TennCare reimbursement system following the 18-month stabilization period, and that such report will be the basis for a TennCare presentation to the Tennessee legislature in January 2004.

Medical services expenses were $0.4 million in the three months ended September 30, 2003 and represent fiscal 2002 claims processed and reimbursed by TennCare in the first quarter of fiscal 2004. There were no medical services expenses in the three months ended September 30, 2002 because of the TennCare ASO reimbursement system.

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Marketing, general and administrative expenses increased approximately $0.1 million (3%), to $3.9 million for the three months ended September 30, 2003 from $3.8 million for the three months ended September 30, 2002.

Depreciation and amortization expense decreased $0.02 million (25%), to $0.06 million for the three months ended September 30, 2003 from $0.08 million for the three months ended September 30, 2002.

Interest expense decreased $0.03 million (60%), to $0.02 million for the three months ended September 30, 2003 from $0.05 million for the three months ended September 30, 2002, due to debt reduction and decreases in the prime rate.

Income tax expense increased $0.02 million (5%), to $0.45 million for the three months ended September 30, 2003 from $0.43 million for the three months ended September 30, 2002. The Company's effective tax rate for the first quarter of 2004 is equal to the statutory rate of 34%.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2003, the Company had (i) cash and cash equivalents and short-term marketable securities of $6.3 million, compared to $4.7 million at June 30, 2003; (ii) working capital of $1.9 million, compared to working capital of $1.7 million at June 30, 2003; and (iii) a current assets-to-current liabilities ratio of 1.28-to-1, compared to 1.26-to-1 at June 30, 2003. The principal source of funds for the Company during the three months ended September 30, 2003 was $2.0 million provided from net operating activities. The principal use of funds for the period was $0.3 million for debt repayment. Positive cash flow was $1.6 million compared to $0.5 million for the comparable quarter a year earlier.

Accounts receivable decreased by $0.4 million at September 30, 2003 compared to June 30, 2003, primarily due to timing of cash receipts from TennCare.

Property, plant and equipment decreased by $0.02 million at September 30, 2003 compared to June 30, 2003, due to the recording of depreciation of $0.06 million and fixed asset additions of $0.04 million.

Long-term debt decreased $0.3 million at September 30, 2003 compared to June 30, 2003. The Company currently has a $1.5 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 (4.00% at September 30, 2003) plus one percent per annum, and a maturity date of September 30, 2004.

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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 4. Controls and Procedures

Our management has evaluated, with the participation of our principal executive and principal financial officers, the effectiveness of our disclosure controls and procedures as of September 30, 2003, and based on their evaluation, our principal executive and principal financial officers have concluded that these controls and procedures are effective as of September 30, 2003. There was no change in our internal control over financial reporting identified in connection with such evaluation that occurred during our fiscal quarter ended September 30, 2003 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Disclosure controls and procedures are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file and submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

PART II.

ITEM 5. OTHER INFORMATION

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-Q quarterly 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 payers.

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 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

31.1 Certifications of Chief Executive Officer pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certifications of Chief Financial Officer pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED AMERICAN HEALTHCARE CORPORATION

Dated: November 4, 2003 By: /s/ William C. Brooks

William C. Brooks
Chairman, President & Chief Executive Officer

Dated: November 4, 2003 By: /s/ Stephen D. Harris

Stephen D. Harris
Chief Financial Officer & Treasurer

10-Q EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
31.1	Certifications of, Chief Executive Officer pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications of, Chief Financial Officer pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.