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UNITED AMERICAN HEALTHCARE CORP

Form 10-K

August 26, 2004

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, 2004

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 ☒ 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 ☒

THE AGGREGATE MARKET VALUE OF THE VOTING STOCK OF THE REGISTRANT HELD BY NON-AFFILIATES AS OF AUGUST 23, 2004, COMPUTED BY REFERENCE TO THE NASDAQ SMALLCAP MARKET CLOSING PRICE ON SUCH DATE, WAS \$31,235,543.

THE NUMBER OF OUTSTANDING SHARES OF REGISTRANT'S COMMON STOCK AS OF AUGUST 23, 2004 WAS 7,419,369.

Portions of the registrant's Proxy Statement for its 2004 Annual Meeting of

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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 August 26, 2004*

UNITED AMERICAN HEALTHCARE CORPORATION

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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

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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 August 1, 2004, there were 129,484 enrollees in OmniCare Health Plan, Inc., in Tennessee ("OmniCare-TN"), 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

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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 owns 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

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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 August 1, 2004:

Medicaid -----	Non - Medicaid -----	Total -----
112,894	16,590	129,484

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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,							
2004				2003		2002	
(in thousands, except percentages)							
Revenues							
OmniCare-TN	\$	21,921	99.3%	\$	24,314	87%	\$ 160,608 90%
OmniCare-MI*		—	—		3,395	12%	14,941 8%
County Care**		—	—		—	—	2,486 1%

* 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, and is reflected as a discontinued operation in the consolidated financial statements.

** 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

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funds; enrollment functions; collection of accounts; claims processing; management information systems; utilization review; and quality management.

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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.

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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., wholly owns OmniCare-TN. OmniCare-TN began

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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 were generally compensated for administrative services only (commonly called "ASO"), earned fixed administrative fees, were not at risk for medical costs in excess of targets established based on various factors, were subject to increased oversight, and could incur financial penalties for not achieving certain performance requirements. Through an amendment completed on December 19, 2003, TennCare extended the ASO reimbursement system applicable to OmniCare-TN through June 30, 2004. A subsequent amendment completed on June 25, 2004 further extended the ASO reimbursement system applicable to OmniCare-TN through December 31, 2004. There has been no specific indication yet of what TennCare reimbursement system will apply after that date to OmniCare-TN.

OmniCare-TN sought reimbursement from TennCare for exceptionally high medical

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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 stated 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 confirmed they were 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 was 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 to it from defunct other plans.

As of August 1, 2004, OmniCare-TN's total enrollment was 129,050 members, of whom 87% were Medicaid enrollees and 13% were Non-Medicaid enrollees.

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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.

While managed by the Company, OmniCare-MI was 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 included 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.

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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.

As a Michigan HMO, OmniCare-MI has been 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.

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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

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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.

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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, OmniCare-TN has (and OmniCare-MI while managed by the Company had) professional liability insurance that covers liability claims arising from medical malpractice. OmniCare-TN is required to pay the professional liability 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 enrollment, 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 August 1, 2004 was 119 compared to 112 at September 1, 2003. The Company's employees do not belong to a collective bargaining unit and management considers its relations with employees to be good.

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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. Increases in medical costs, including increases in utilization and costs of medical services and the effects of actions by competitors or groups of providers.
4. 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.
5. Failure to obtain new customer bases or members or retain or regain

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customer bases or members, or reductions in work force by existing customers.

6. Increased competition between current organizations, the entrance of new competitors and the introduction of new products by new and existing competitors.
7. Adverse publicity and media coverage.
8. Inability to carry out marketing and sales plans.
9. Loss or retirement of key executives.
10. Termination of provider contracts or renegotiations at less cost-effective rates or terms of payment.
11. Adverse regulatory determinations resulting in loss or limitations of licensure, certification or contracts with governmental payers.
12. Higher sales, administrative or general expenses occasioned by the need for additional advertising, marketing, administrative or management information systems expenditures.

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13. Increases by regulatory authorities of minimum capital, reserve and other financial solvency requirements.
14. Denial of accreditation by quality accrediting agencies, e.g., the National Committee for Quality Assurance (NCQA).
15. Adverse results from significant litigation matters.
16. Inability to maintain or obtain satisfactory bank loan credit arrangements.
17. 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 June 17, 2004, a Circuit Court judge for the 30th Judicial Circuit, in Ingham County, Michigan, conducted a hearing and approved a report and recommendation filed by the court-appointed Special Deputy Rehabilitator of OmniCare-MI, in case no. 98-88265-CR, to which the Company is not a party. The Company provided services for many years to OmniCare-MI under a management agreement that terminated November 1, 2002. The approved report and recommendation were filed

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May 14, 2004 and requested that any potential cause of action against the Company "resulting from its actions as the management company" of OmniCare-MI be assigned to the creditors of OmniCare-MI who filed timely objections to its first amended Rehabilitation Plan. (The court approved that Plan on July 29, 2002.)

At the June 17th hearing, the judge acknowledged the Company's arguments opposing the recommendation, declared he was not prejudging any claims which creditors of OmniCare-MI might pursue against the Company, and stated he would enter an appropriate order to implement the Special Deputy Rehabilitator's recommendation. On August 20, 2004, the judge entered an order assigning jointly to "those persons that are health care providers/creditors" of OmniCare-MI any "rights and/or claims for damages of any kind" of OmniCare-MI against the Company in connection with the management of OmniCare-MI. The order required establishment of a creditors committee to make all decisions whether to pursue any claim and regarding any litigation of any claim. The order approved paying \$50,000 of OmniCare-MI's assets for legal expenses to investigate the merits of pursuing any litigation and, if litigation is pursued, up to \$150,000 more of OmniCare-MI's assets therefore, subject to required semiannual accountings to

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the court. No such claim has been asserted against the Company, and it is premature and not possible to predict what subsequent proceedings and claims, if any, might ensue, or the magnitude or outcome of such claims, if any.

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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 per share on the NASDAQ SmallCap or National Market for each quarter in the past two fiscal years.

FISCAL QUARTER -----	2004 SALES PRICE -----		2003 SALES PRICE -----	
	HIGH	LOW	HIGH	LOW
-----	----	---	----	---
First	\$3.25	\$1.52	\$4.80	\$1.80
Second	\$4.15	\$2.57	\$2.14	\$0.88
Third	\$5.32	\$3.33	\$1.18	\$0.76
Fourth	\$6.44	\$3.70	\$2.05	\$0.96

As of August 23, 2004, the closing price of the Common Stock was \$4.21 per share

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and there were approximately 120 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.

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ITEM 6. SELECTED FINANCIAL DATA

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

	2004 ----	2003 ----	2002 ----	2001 ----
	(in thousands, except per share data)			
Operating Data (Year ended June 30):				
Operating revenues	\$ 22,084	\$ 24,530	\$ 165,176	\$ 105,330
Earnings (loss) from continuing operations	7,871	7,333	(9,259)	4,562
Earnings (loss) from discontinued operation, net of income taxes	(700)	(2,127)	(1,704)	(3,333)
Net earnings (loss)	7,171	5,206	(10,963)	1,229
Earnings (loss) per common share from continuing operations - basic	\$ 1.09	\$ 1.06	\$ (1.35)	\$ 0.67
Net earnings (loss) per common share - basic and diluted	\$ 0.99	\$ 0.75	\$ (1.60)	\$ 0.18
Weighted average common shares outstanding - diluted	7,266	6,950	6,839	6,808
Balance Sheet Data (June 30):				
Cash and investments	\$ 8,767	\$ 4,693	\$ 18,810	\$ 24,766
Goodwill	3,452	2,952	2,952	2,952
Total assets	20,081	15,114	33,336	41,657
Medical claims and benefits payable	406	591	24,495	19,815
Debt	847	1,766	2,869	3,492
Shareholders' equity	14,886	7,140	1,747	12,313

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.

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OmniCare Health Plan, in Michigan ("OmniCare-MI"), an HMO then administered by

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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 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 were generally compensated for administrative services only (commonly called "ASO"), earned fixed administrative fees, were not at risk for medical costs in excess of targets established based on various factors, were subject to increased oversight, and could incur financial penalties for not achieving certain performance requirements. Through an amendment completed on December 19, 2003, TennCare extended the ASO reimbursement system applicable to OmniCare-TN through June 30, 2004. A subsequent amendment completed on June 25, 2004, further extended the ASO reimbursement system applicable to OmniCare-TN through December 31, 2004. There has been no specific indication yet of what TennCare reimbursement system will apply after that date to OmniCare-TN. These matters are more fully discussed and analyzed below under the heading "Review of Consolidated Results of Operations - 2004 Compared to 2003."

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.

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.

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Effective July 1, 2001, OmniCare-TN entered into a new 42-month contract with the State of Tennessee's TennCare Program. The contract provided for an automatic renewal for calendar year 2005 with an expiration date of December 31, 2005 with future premium increases to be determined by the State of Tennessee.

REVIEW OF CONSOLIDATED RESULTS OF OPERATIONS - 2004 COMPARED TO 2003

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OMNICARE-TN DEVELOPMENTS

OmniCare-TN's results of operations for fiscal 2003 are best understood in the context of certain events preceding that fiscal year involving several of TennCare's major contracted MCOs, which ceased doing business in fiscal 2002. Beginning in February, March and April 2002, OmniCare-TN unexpectedly 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. Through an amendment completed on December 19, 2003, TennCare extended the ASO reimbursement system applicable to OmniCare-TN through June 30, 2004. A subsequent amendment completed on June 25, 2004, further extended the ASO reimbursement system applicable to OmniCare-TN through December 31, 2004. There has been no specific indication yet of what TennCare reimbursement system will apply after that date to OmniCare-TN.

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 has been reimbursed under an administrative services only agreement with no risk of medical loss; and

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- 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, the \$7.5 million receivable was not recorded in fiscal 2002 financial statements but was 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. For the year ended June 30, 2004, an additional \$0.5 million of such medical claims were processed, and the same amount was recognized as revenue by OmniCare-TN.

On May 25, 2004, and effective as of January 1, 2004, the Company's wholly owned

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subsidiary, United American of Tennessee, Inc. ("UA-TN"), which already owned 75% of the outstanding stock of OmniCare-TN, purchased the remaining 25% of the outstanding common stock of OmniCare-TN. OmniCare-TN thereby became a wholly owned subsidiary of UA-TN and a wholly owned second-tier subsidiary of the Company. The 25% minority interest was purchased under a longstanding option agreement for \$500,000 evidenced by a Company promissory note payable by December 31, 2004.

As of June 30, 2004, OmniCare-TN's total enrollment was 129,484 members, compared to 130,080 at June 30, 2003.

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

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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. 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. Management had expected both

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parties to finalize and sign the sublease, and close the sale of such assets, in the fourth quarter of fiscal 2003, but was delayed as a result of the appointment by the Governor of Michigan of Linda A. Watters as the new Commissioner of the Office of Financial and Insurance Services on April 11, 2003. 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. Meanwhile, due to the subsequent sale of OmniCare-MI members to Coventry of Michigan approved on May 10, 2004 and effective October 1, 2004, Company management now does not expect to complete the sale of assets and accordingly has recorded a loss from discontinued operations of \$0.7 million in the fourth quarter of fiscal year 2004. While OmniCare-MI has been regularly paying monthly rent under such de facto sublease with the Company, based on preliminary discussions management now expects that OmniCare-MI's occupancy of the subleased premises will diminish at some unknown future date and then cease at some unknown later date, but sooner than the primary lease end in May 2005. Those events would increase the Company's rent expense under that lease, but management cannot currently predict the timing and amount thereof.

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 expected sale of assets described above; (ii) the above-described sublease, with an expected cost to the Company of approximately \$0.04

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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 was doubtful. The recorded charges discussed above were offset by management fees from OmniCare-MI of \$0.8 million.

Specific Comparisons of 2004 to 2003

Total revenues decreased \$2.4 million (10%), to \$22.1 million for the fiscal year ended June 30, 2004 from \$24.5 million for the fiscal year ended June 30, 2003, principally as the result of the change in the reimbursement system of TennCare, discussed above.

Medical premium revenues were \$0.5 million for the fiscal year ended June 30, 2004, a decrease of \$7.3 million (93%) from medical premium revenues of \$7.8 million for the fiscal year ended June 30, 2003. The decrease came from OmniCare-TN as the result of TennCare's changing its reimbursement system to an ASO program for an initially declared 18-month stabilization period beginning July 1, 2002, subsequently extended through December 31, 2004.

Fixed administrative fees related to the ASO program were \$20.4 million for the fiscal year ended June 30, 2004, an increase of \$5.6 million (38%) from fixed administrative fees of \$14.8 million for the fiscal year ended June 30, 2003. The increase in fixed administrative fees is principally due to an increase in

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members and an increase in reimbursement rates effective July 1, 2003.

Total expenses were \$15.3 million for the fiscal year ended June 30, 2004, compared to \$16.6 million for the year ended June 30, 2003, a decrease of \$1.3 million (8%). The decreases were principally due to the TennCare ASO program for OmniCare-TN discussed above.

Because of TennCare's new ASO reimbursement system, medical services expenses were \$0.5 million in the fiscal year ended June 30, 2004, an increase of \$0.1 million (23%) as compared with medical services expenses of \$0.4 million in the fiscal year ended June 30, 2003. The \$0.5 million of medical services expenses represent fiscal 2002 claims processed and reimbursed by TennCare in fiscal 2004 as explained under the above heading "OmniCare-TN Developments."

Marketing, general and administrative expenses were \$14.5 million for the fiscal year ended June 30, 2004, as compared with marketing, general and administrative expenses of \$15.7 million for the comparable period a year earlier, a decrease of \$1.2 million (8%). The decrease is principally due to TennCare's payment of premium tax as a result of the ASO arrangement discussed above, offset by the costs of claims processing associated with a membership increase.

Depreciation and amortization expense decreased \$0.07 million (23%), to \$0.23 million for the fiscal year ended June 30, 2004 from \$0.3 million for the fiscal year ended June 30, 2003.

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Interest expense decreased \$0.08 million (60%), to \$0.06 million for the fiscal year ended June 30, 2004 from \$0.14 million for the fiscal year ended June 30, 2003, principally due to debt reduction.

Income tax expense decreased \$1.7 million (269%), to \$(1.1) million in the fiscal year ended June 30, 2004 from \$0.6 million in the fiscal year ended June 30, 2003. The Company's effective tax rate for the fiscal year ended June 30, 2003 was (16)% and differs from the statutory rate of 34%. This difference is primarily a result of the utilization of net operating loss carryforwards.

Earnings from continuing operations before income taxes were \$6.8 million and \$8.0 million for the fiscal years ended June 30, 2004 and 2003, respectively. Such decrease in earnings from continuing operations of \$1.2 million is principally due to the fiscal 2002 contractual risk agreement discussed above.

Earnings from continuing operations were \$7.9 million, or \$1.09 per basic share, for the fiscal year ended June 30, 2004 compared to earnings from continuing operations of \$7.3 million, or \$1.06 per basic share, for the fiscal year ended June 30, 2003. Such increase in earnings from continuing operations of \$0.5 million, or \$0.03 per basic share, is principally due to the recognition of a deferred tax asset, an increase in members and an increase in reimbursement rates effective July 1, 2003.

The Company recognized a loss from discontinued operations of \$0.7 million in the fiscal year ended June 30, 2004 compared to a loss from discontinued operations of \$2.1 million in the fiscal year ended June 30, 2003 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 \$7.2 million, or \$0.99 per basic share, for the fiscal year ended June 30, 2004 compared to net earnings of \$5.2 million, or \$0.75 per basic share, for the fiscal year ended June 30, 2003, principally due to the utilization of net operating loss carryforwards, an increase in members and an

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increase in reimbursement rates effective July 1, 2003.

REVIEW OF CONSOLIDATED RESULTS OF OPERATIONS - 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,

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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,

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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

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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 was 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.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2004, the Company had (i) cash and cash equivalents and short-term marketable securities of \$8.8 million, compared to \$4.7 million at June 30, 2003; (ii) working capital of \$8.1 million, compared to working capital of \$1.7 million at June 30, 2003; and (iii) a current assets-to-current liabilities ratio of 2.56-to-1, compared to 1.26-to-1 at June 30, 2003.

Net cash from operating activities was \$5.0 million in fiscal 2004 compared to net cash used in operating activities of \$12.6 million in fiscal 2003. Investing activities in fiscal 2004 included the purchase of equipment of \$0.07 million, the purchase of marketable securities of \$0.2 million, and the issuance of a promissory note for \$0.5 million. Debt repayments were \$1.4 million in fiscal 2004.

Cash and marketable securities increased by \$4.1 million at June 30, 2004 compared to June 30, 2003 due primarily to operating activities.

Accounts receivable decreased by \$0.3 million at June 30, 2004 compared to June 30, 2003, primarily due to the elimination of the pharmacy rebate program and reduction in reinsurance receivables.

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Property, plant and equipment decreased by \$0.2 million at June 30, 2004 compared to June 30, 2003, due to the recording of depreciation of \$0.2 million.

Medical claims payable decreased by \$0.2 million at June 30, 2004 compared to June 30, 2003, which is directly related to the payment of outstanding medical claims.

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 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"), earned fixed administrative fees, were not at risk for medical costs in excess of targets established based on various factors, were subject to increased oversight, and could incur financial penalties for not achieving certain performance requirements. Through an amendment completed on December 19, 2003, TennCare extended the ASO reimbursement system applicable to OmniCare-TN through June 30, 2004. A subsequent amendment completed on June 25, 2004, further extended the ASO reimbursement system applicable to OmniCare-TN through December 31, 2004. There has been no specific indication yet of what TennCare reimbursement system will apply after that date to OmniCare-TN.

The Company's de facto sublease to OmniCare-MI of all of the Company's leased premises in Detroit, Michigan, from November 1, 2002 to the end of the lease in May 2005 has cost the Company approximately \$40,000 per month through the remainder of the lease. While OmniCare-MI has been regularly paying monthly rent under such de facto sublease with the Company, based on preliminary discussions management now expects that OmniCare-MI's occupancy of the subleased premises will diminish at some unknown future date and then cease at some unknown later date, but sooner than the primary lease end in May 2005. Those events would increase the Company's rent expense under that lease, but management cannot currently predict the timing and amount thereof.

The Company currently has a \$0.6 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 (4.0% at June 30, 2004) 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 following are new accounting standards and interpretations that may be applicable in the future to the Company:

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SFAS No. 149, "Amendments of Statement 133 on Derivative Instruments and Hedging Activities" amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The Statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this standard had no effect on the Corporation's financial condition or results of operations.

SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" was revised in December 2003. The revisions to SFAS132 are intended to improve financial statement disclosures for defined benefit plans by requiring more detail about plan assets, benefit obligations, cash flows, benefit costs and other relevant quantitative and qualitative information. The revisions are effective for fiscal years after December 15, 2003. The adoption of this standard had no effect on the Corporation's financial condition or results of operations.

Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition", was issued by the Securities and Exchange Commission ("SEC") in December 2003. SAB No. 104 revises and rescinds certain sections of SAB No. 101 in order to make this interpretive guidance consistent with current authoritative accounting and auditing guidance and SEC rules and regulations. Accordingly there is no impact the Corporation's financial condition or results of operations as a result of the issuance of SAB No. 104.

FIN 46R, a revision to FIN 46, "Consolidation of Variable Interest Entities", was issued in December 2003. FIN 46R clarifies some of the provisions of FIN 46 and exempts certain entities from its requirements. FIN 46R is effective at the end of the first interim period ending after March 15, 2004. Entities that have adopted FIN 46 prior to this effective date can continue to apply the provisions of FIN 46 until the effective date of FIN 46R. The adoption of FIN 46R had no effect on the Corporation's financial condition or results of operations.

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.

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ITEM 9A. CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures within 90 days of the filing date of this Report, and, based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Disclosure controls and procedures are the Company's controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that the Company files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported, within the time periods specified in the Securities and

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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 the Company in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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 5, 2004.

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 5, 2004.

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 5, 2004.

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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 5, 2004.

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 5, 2004 is the information set forth in such proxy statement under the headings "Audit Fees" and "Audit Committees 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.

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33-36760); (ii) the Company's Form 10-K reports for its fiscal years ended June 30, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2001 and 2002; (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, December 31, 1998, December 31, 2001, September 30, 2002 and December 31, 2002; (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 June 1, 2004, reporting the purchase of the remaining 25% of the outstanding common stock of Omnicare-TN and a scheduled court hearing regarding a petition filed by the Special Deputy Rehabilitator of OmniCare-MI recommending that the "Court assign the potential cause of action against UAHC [the Company] resulting from its actions as the management company of OmniCare-MI to the creditors of OmniCare-MI who filed timely objections to the first amended Rehabilitation Plan."
- 2) The Company filed a Current Report on Form 8-K on June 23, 2004, reporting the extension of the ASO reimbursement system for OmniCare-TN through December 31, 2004, and that a court approved a report and recommendation filed by the Special Deputy Rehabilitator of OmniCare-MI.

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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)

SIGNATURE -----	CAPACITY -----
/s/ WILLIAM C. BROOKS ----- William C. Brooks	Chairman, President and CEO (Principal Executive Officer)
/s/ STEPHEN D. HARRIS ----- Stephen D. Harris	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ EMMETT S. MOTEN, JR. ----- Emmett S. Moten, Jr.	Secretary and Director
/s/ OSBIE HOWARD -----	Director

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Osbie Howard

/s/ RICHARD M. BROWN, D.O. Director

Richard M. Brown, D.O.

/s/ DARREL W. FRANCIS Director

Darrel W. Francis

/s/ TOM A. GOSS Director

Tom A. Goss

/s/ RONALD E. HALL, SR. Director

Ronald E. Hall, Sr.

/s/ PETER F. HURST, JR. Director

Peter F. Hurst, Jr.

Date: August 26, 2004

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
United American Healthcare Corporation:

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We have audited the accompanying consolidated balance sheets of United American Healthcare Corporation and Subsidiaries as of June 30, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, 2004 and 2003, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Follmer Rudzewicz PLC

Southfield, Michigan
August 5, 2004

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
United American Healthcare Corporation

We have audited the consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows of United American Healthcare Corporation and Subsidiaries for the year 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 audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 results of their operations and their cash flows for the year ended June 30, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 14 to the consolidated financial statements, the Company

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has restated the 2002 consolidated financial statements to reflect certain discontinued operations.

/s/ KPMG LLP

Detroit, Michigan
October 11, 2002, except for note 14, as to
which the date is September 23, 2003

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

	JUNE 30,	
	2004	2003
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,767	\$ 3,100
Marketable securities	1,000	1,000
Accounts receivable - State of Tennessee	1,230	1,230
Other receivables	1,206	1,206
Prepaid expenses and other	147	147
Deferred income taxes	1,939	1,939
Total current assets	13,289	8,622
Assets held for sale	100	100
Property and equipment, net	323	323
Goodwill	3,452	2,452
Marketable securities	2,331	2,331
Other assets	586	586
	<u>\$ 20,081</u>	<u>\$ 15,814</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion of debt	\$ 847	\$ 1,000
Medical claims payable	406	406
Accounts payable and accrued expenses	1,140	2,140
Accrued compensation and related benefits	582	582
Accrued rent	837	837
Other current liabilities	1,384	1,384
Total current liabilities	5,196	6,349
Long-term debt, less current portion	-	-
Accrued rent	-	-
Total Liabilities	5,196	6,349
Shareholders' equity		
Preferred stock, 5,000,000 shares authorized; none issued	-	-
Common stock, no par, 15,000,000 shares authorized; 7,418,519 and	-	-

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6,910,721 shares issued and outstanding at June 30, 2004 and 2003, respectively	12,226	11
Retained earnings (deficit)	2,702	(4)
Accumulated other comprehensive (loss) income, net of deferred federal income taxes	(43)	
Total shareholders' equity	14,885	7
	\$ 20,081	\$ 15
	=====	=====

See accompanying notes to the consolidated financial statements.

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

	YEAR ENDED	
	2004	2003
REVENUES		
Fixed administrative fees	\$ 20,391	\$ 14,771
Medical premiums	532	7
Interest and other income	1,161	1,161
Total revenues	22,084	24,939
EXPENSES		
Medical services	532	15,483
Marketing, general and administrative	14,483	227
Depreciation and amortization	227	66
Interest expense	66	
Total expenses	15,308	16,776
Earnings (loss) from continuing operations before income taxes	6,776	7,971
Income tax expense (benefit)	(1,095)	
Earnings (loss) from continuing operations	7,871	7,971
DISCONTINUED OPERATIONS		
Loss from discontinued operations	(700)	(2,000)
Net earnings (loss)	\$ 7,171	\$ 5,971
NET EARNINGS (LOSS) PER COMMON SHARE - BASIC		
Earnings (loss) from continuing operations	\$ 1.09	\$ 1.09
Loss from discontinued operations	(0.10)	(0.10)
Net earnings (loss) per common share	\$ 0.99	\$ 0.99
Weighted average shares outstanding	7,207	6,207

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NET EARNINGS (LOSS) PER COMMON SHARE - DILUTED

Earnings (loss) from continuing operations	\$ 1.08	\$
Loss from discontinued operations	(0.10)	(
Net earnings (loss) per common share	\$ 0.98	\$
Weighted average shares outstanding	7,266	6

See accompanying notes to the consolidated financial statements.

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

	COMMON SHARES	STOCK AMOUNT	RETAINED EARNINGS (ACCUMULATED DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOT SHAREHO EQUI
BALANCE AT JUNE 30, 2001	6,779	\$ 11,188	\$ 1,288	\$ (163)	\$
Issuance of common stock	132	\$ 219	\$ -	\$ -	\$
Comprehensive income:					
Net loss	-	-	(10,963)	-	(
Unrealized gain on marketable securities	-	-		178	
Total comprehensive income (loss)	-	-	(10,963)	178	(
BALANCE AT JUNE 30, 2002	6,911	\$ 11,407	\$ (9,675)	\$ 15	\$
Issuance of common stock	148	\$ 163	\$ -	\$ -	\$
Comprehensive income:					
Net earnings	-	-	5,206	-	
Unrealized gain on marketable securities	-	-	-	24	
Total comprehensive income	-	-	5,206	24	
BALANCE AT JUNE 30, 2003	7,059	\$ 11,570	\$ (4,469)	\$ 39	\$
Issuance of common stock	360	\$ 656	\$	\$	\$
Comprehensive income:					
Net earnings	-	-	7,171	-	
Unrealized loss on marketable securities	-	-	-	(82)	
Total comprehensive income (loss)	-	-	7,171	(82)	
BALANCE AT JUNE 30, 2004	7,419	\$ 12,226	\$ 2,702	\$ (43)	\$

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See accompanying notes to the consolidated financial statements.

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

	YEAR ENDED JUNE 30,		
	2004	2003	2002
OPERATING ACTIVITIES			
Net earnings (loss)	\$ 7,171	\$ 5,206	\$ (10,963)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:			
Bad debt expense	-	847	-
Loss on disposal of assets	700	577	2,411
Loss (gain) on liquidation of investment	(82)	24	166
Depreciation and amortization	227	640	1,800
Deferred income taxes	(1,369)	520	556
Stock awards	385	127	50
Changes in assets and liabilities			
Accounts receivable- State of Tennessee	(17)	581	(1,358)
Other receivables	289	514	(567)
Refundable federal income taxes	-	284	-
Prepaid expenses and other	20	454	(72)
Other assets	-	91	-
Medical claims payable	(185)	(23,904)	4,680
Accounts payable and accrued expenses	(1,376)	1,648	(1,990)
Accrued rent	(315)	367	(75)
Accrued compensation and related benefits	63	(269)	(305)
Other current liabilities	(46)	(354)	558
Net cash provided by (used in) operating activities	5,465	(12,647)	(5,109)
INVESTING ACTIVITIES			
Purchase of marketable securities	(171)	(334)	(19,388)
Proceeds from the sale of marketable securities	-	15,784	5,997
Purchase of property and equipment	(72)	(68)	(1,005)
Net cash provided by (used in) investing activities	(243)	15,382	(14,396)
FINANCING ACTIVITIES			
Payments made on debt	(1,419)	(1,104)	(623)
Issuance of common stock	271	36	169
Net cash used in financing activities	(1,148)	(1,068)	(454)
Net increase (decrease) in cash and cash equivalents	4,074	1,667	(19,959)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,693	2,026	21,985
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 7,767	\$ 3,693	\$ 2,026

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

	YEAR ENDED JUNE 30,		
	2004	2003	2002
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest paid	\$ 63	\$ 133	\$ 200
	=====	=====	=====
Income taxes paid	\$ -	\$ -	\$ 250
	=====	=====	=====
Non-cash financing activity - Promissory note and goodwill recorded upon purchase of minority interest	500	-	-
	=====	=====	=====

See accompanying notes to the consolidated financial statements.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004, 2003 AND 2002

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 wholly owned subsidiary of UA-TN. 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

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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, 2004 and 2003.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2004, 2003 AND 2002

- 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

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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 \$3.5 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, 2004, 2003 and 2002.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2004, 2003 AND 2002

- 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 and 2004 to reflect TennCare's administrative services only ("ASO") arrangement in which OmniCare-TN assumes no risk for medical claims. See Note 13 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.

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- 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

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2004, 2003 AND 2002

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. 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 2004, 2003 and 2002 would have been the pro forma amounts indicated below (in thousands, except per share amounts):

	2004	2003	2002
	-----	-----	-----
Net earnings as reported	\$ 7,171	\$ 5,206	\$ (10,963)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	1,047	74	244
Pro forma net earnings	\$ 6,124	\$ 5,132	\$ (11,207)
Earnings (loss) per share:			
As reported - Basic	\$ 0.99	\$ 0.75	\$ (1.60)
As reported - Diluted	0.98	0.75	(1.60)
Pro forma (Basic and Diluted)	\$ 0.84	\$ 0.74	\$ (1.64)
	-----	-----	-----

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 2004: dividend yield of 0%; expected volatility of 57.18%; risk free interest rate of

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4.47%; and expected life of 9.5 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.

- 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

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2004, 2003 AND 2002

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, 2004, June 30, 2003 and June 30, 2002 the Company had outstanding stock options of 59,448, 9,241, and 0, 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 fiscal 2002 amounts have been reclassified to conform with the fiscal 2004 and 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 14 for further discussion.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2004, 2003 AND 2002

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

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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.

On May 25, 2004, and effective as of January 1, 2004, the Company's wholly owned subsidiary, United American of Tennessee, Inc. ("UA-TN"), which already owned 75% of the outstanding stock of OmniCare-TN, purchased the remaining 25% of the outstanding common stock of OmniCare-TN. OmniCare-TN thereby became a wholly owned subsidiary of UA-TN and a wholly owned second-tier subsidiary of the Company. The 25% minority interest was purchased under a longstanding option agreement for \$0.5 evidenced by a Company promissory note payable by December 31, 2004. 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 \$0.5 million has been recorded as goodwill.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2004, 2003 AND 2002

NOTE 4 - MARKETABLE SECURITIES

A summary of estimated fair value, which approximates amortized cost, of marketable securities as of June 30, 2004 and 2003 is as follows (in thousands):

	2004	2003
	-----	-----
Available for sale - Current:		
Certificates of deposit	\$ 1,000	\$ 1,000
Equity and other securities	-	-
	-----	-----
	1,000	1,000
Available for sale - Noncurrent:		
U.S. government obligations	2,331	2,160
	-----	-----
	\$ 3,331	\$ 3,160
	=====	=====

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 \$2.3 million and \$2.2 million at June 30, 2004 and 2003, respectively.

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NOTE 5 - CONCENTRATION OF RISK

During the years ended June 30, 2004, 2003 and 2002, approximately 100%, 87% and 91%, 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 13, 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. There are no withholdings by TennCare under the current administrative services only arrangement for the years ended June 30, 2004 and 2003.

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% and 20% for the years ended June 30, 2003 and 2002, respectively. See Note 10 for further discussion of the OmniCare-MI management agreement.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2004, 2003 AND 2002

NOTE 6 - PROPERTY AND EQUIPMENT

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

	2004	2003
	-----	-----
Furniture and fixtures	\$ 878	\$ 863
Equipment	2,665	2,636
Computer software	202	177
	-----	-----
	3,745	3,676
Less accumulated depreciation and amortization	3,422	3,198
	-----	-----
	\$ 323	\$ 478
	=====	=====

See Note 14 for discussion on assets held for sale.

NOTE 7 - LONG TERM DEBT

The Company currently has a \$0.6 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 (4.0% at June 30, 2004) 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):

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	2004	2003
	-----	-----
Term loan	\$ 597	\$ 1,766
Promissory note	250	-
	-----	-----
Total debt	847	1,766
Less debt payable within one year	847	1,108
	-----	-----
Long-term debt, less current portion	\$ -	\$ 658
	=====	=====

NOTE 8 - MEDICAL CLAIMS PAYABLE

The Company has recorded a liability of \$0.4 million, \$0.6 million, and \$24.5 million at June 30, 2004, 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, 2004, 2003 and 2002.

The following table provides a reconciliation of the unpaid claims for the years ended June 30, 2004, 2003 and 2002 (in thousands):

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004, 2003 AND 2002

	2004	2003	2002
	-----	-----	-----
Balance at beginning of fiscal year	\$ 591	\$ 24,495	\$ 19,815
Incurring losses related to current year	-	-	157,953
Incurring loss related to prior year	532	434	-
Reserve reversal related to prior year	-	-	(2,861)
	-----	-----	-----
Total losses incurred	532	434	155,092
Paid claims related to current year	-	-	132,734
Paid claims related to prior year	717	24,338	17,678
	-----	-----	-----
Total paid claims	717	24,338	150,412
	-----	-----	-----
Balance at end of fiscal year	\$ 406	\$ 591	\$ 24,495
	=====	=====	=====

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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JUNE 30, 2004, 2003 AND 2002

NOTE 9 - INCOME TAXES

The components of income tax expense (benefit) for each year ended June 30 are as follows (in thousands):

	2004	2003	2002
	-----	-----	-----
Continuing operations:			
Current expense	\$ 275	\$ 127	\$ 262
Deferred expense (credit)	408	1,592	(2,991)
Change in valuation allowance	(1,778)	(1,072)	3,547
	-----	-----	-----
	\$ (1,095)	\$ 647	\$ 818
	=====	=====	=====

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

	2004	2003	2002
	-----	-----	-----
Income tax expense (benefit) at the statutory tax rate	\$ 2,073	\$ 1,990	\$ (3,449)
State and city income tax	313	177	299
Utilization of AMT credit	-	-	-
Tax-exempt interest on municipal bonds	-	-	(13)
Utilization of NOL carryforward	(1,462)	-	-
Valuation allowance	(1,778)	(1,072)	3,547
Other, net	(241)	(448)	434
	-----	-----	-----
	\$ (1,095)	\$ 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, 2004. 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.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2004, 2003 AND 2002

As of June 30, 2004, 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):

	2004	2003
	-----	-----
Deferred tax assets		
Accrued rent	\$ 150	\$ 297
Bad debt expense	1,360	1,360
Deferred compensation	149	135
Net operating loss carryforward of consolidated losses	4,863	5,381
Net operating loss carryforward of purchased subsidiary	598	1,563
Alternative minimum tax credit carryforward	392	403
Property and equipment	2,247	1,018
Unrealized loss on marketable securities	(11)	
	-----	-----
Total gross deferred tax assets	9,748	10,157
Valuation allowance	(7,809)	(9,587)
	-----	-----
Total gross deferred tax liabilities	-	-
	-----	-----
Net deferred tax asset	\$ 1,939	\$ 570
	=====	=====

NOTE 10 - 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 and \$0.6 million for the years ended June 30, 2003 and 2002 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

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arrangement has cost the Company

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2004, 2003 AND 2002

approximately \$40,000 per month. While OmniCare-MI has been regularly paying monthly rent under such de facto sublease with the Company, based on preliminary discussions management now expects that OmniCare-MI's occupancy of the subleased premises will diminish at some unknown future date and then cease at some unknown later date, but sooner than the primary lease end in May 2005. Those events would increase the Company's rent expense under that lease, but management cannot currently predict the timing and amount thereof.

NOTE 11 - 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 \$65,862, \$45,653 and \$94,000 for the years ended June 30, 2004, 2003 and 2002, 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, 2004 and 2003 were \$7,812 and \$527, respectively.

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 November 14, 2003 the Company's shareholders approved an increase in the number of common shares reserved for issuance pursuant to the exercise of options granted under the amended plan from 500,000 to 1,000,000 shares, and extended the termination date of the plan by 5 years to August 6, 2013. On September 9, 1998, December 15, 1998, February 3, 1999, November 10, 1999, May 3, 2001, November 30, 2001, May 8, 2003, December 4, 2003, and April 29, 2004 nonqualified options for a total of 325,000, 26,000, 5,000, 8,000, 50,000, 75,000, 25,000, 196,500 and 280,000 common shares, respectively, were granted under the amended and restated 1998 Plan. The exercise prices of the options range from \$0.63 to \$5.28.

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 (outside the 1998 Plan) 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.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2004, 2003 AND 2002

Information regarding the stock options for fiscal 2004, 2003 and 2002 follows (shares in thousands):

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OF SHARES EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
Options outstanding at June 30, 2002	436	\$ 2.08	7.2 years	434	\$ 2.08
Granted	155	1.27	6.8 years	1	5.28
Exercised	(38)	0.96	-	(38)	-
Expired	(100)	1.38	-	(100)	-
Forfeited	(2)	1.25	-	(2)	-
Options outstanding at June 30, 2003	451	\$ 2.03	7.2 years	295	\$ 2.42
Granted	477	3.37	9.6 years	120	2.09
Exercisable	-	-	-	32	1.48
Exercised	(143)	1.56	-	(143)	-
Expired	-	-	-	-	-
Forfeited	(5)	1.72	-	-	-
Options outstanding at June 30, 2004	780	\$ 2.94	8.0 years	304	\$ 2.65

Options for 38,500 common shares were available for grant under the amended and restated 1998 Plan at the end of fiscal 2004.

NOTE 12 - LEASES

The Company leases its facilities and certain furniture and equipment under operating leases expiring at various dates through February 2006. 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, 2004, 2003 and 2002 totaled \$0.6 million, \$1.9 million and \$1.7 million, respectively. Based on the current commitments, the Company estimates rent expense of \$0.6 million for fiscal years 2005 and 2006.

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JUNE 30, 2004, 2003 AND 2002

The Company's de facto 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, has cost the Company approximately \$40,000 per month through the remainder of the lease. The Company recognized a charge 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 is included in discontinued operations. While OmniCare-MI has been regularly paying monthly rent under such de facto sublease with the Company, based on preliminary discussions management now expects that OmniCare-MI's occupancy of the subleased premises will diminish at some unknown future date and then cease at some unknown later date, but sooner than the primary lease end in May 2005. Those events would increase the Company's rent expense under that lease, but management cannot currently predict the timing and amount thereof.

NOTE 13 - 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 were generally compensated for administrative services only (commonly called "ASO"), earned fixed administrative fees, were not at risk for medical costs in excess of targets established based on various factors, were subject to increased oversight, and could incur financial penalties for not achieving certain performance requirements. Through an amendment completed on December 19, 2003, TennCare extended the ASO reimbursement system applicable to OmniCare-TN through June 30, 2004. A subsequent amendment completed on June 25, 2004, further extended the ASO reimbursement system applicable to OmniCare-TN through December 31, 2004. There has been no specific indication yet of what TennCare reimbursement system will apply after that date to OmniCare-TN.

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 has been 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

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accounting principles, the \$7.5 million receivable was not recorded in fiscal 2002 financial statements but was 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. For the year ended June 30, 2004, an additional \$0.5 million of such medical claims were processed, and the same amount was recognized as revenue by OmniCare-TN pursuant to the State's TennCare amendment and further agreement discussed above in this Note 13.

NOTE 14 - 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. 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. Management expected to complete the signing of the sublease and the sale of assets by the third quarter of fiscal 2004; however, due to the subsequent sale of OmniCare-MI members to Coventry of Michigan approved on May 10, 2004 and effective October 1, 2004, management now does not expect to complete the sale of assets and has recorded a loss from discontinued operations of \$0.7 million in the fourth quarter of fiscal year 2004. While OmniCare-MI has been regularly paying monthly rent under such de facto sublease with the Company, based on preliminary discussions management now expects that OmniCare-MI's occupancy of the subleased premises will diminish at some unknown future date and then cease at some unknown later date, but sooner than the primary lease end in May 2005. Those events would increase the Company's rent expense under that lease, but management cannot currently predict the timing and amount thereof.

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 expected sale of assets described above; (ii) the above-described sublease, with an expected cost to the Company of 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 was doubtful. The recorded charges discussed above were offset by management fees from OmniCare-MI of \$0.8 million.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2004, 2003 AND 2002

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

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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:

	2004 ----	2003 ----	2002 ----
Management fees	\$ -	\$ 3,395	\$ 14,941
	-----	-----	-----
Loss from discontinued operations net of zero income taxes	\$ (700)	\$ (2,127)	\$ (1,704)
	=====	=====	=====

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2004, 2003 AND 2002

NOTE 15 - UNAUDITED SELECTED QUARTERLY FINANCIAL DATA

The following table presents selected quarterly financial data for the years ended June 30, 2004 and 2003 (in thousands, except per share data):

	THREE MONTHS ENDED			
	SEPT. 30, -----	DEC. 31, -----	MARCH 31, -----	JUNE 30, -----
2004				
Total revenues	\$ 5,728	5,479	5,547	5,330
Net earnings	912	1,329	1,397	3,533
Net earnings per common share assuming dilution	\$ 0.13	0.19	0.19	0.48
2003				
Total revenues	\$ 7,114	8,042	4,717	4,657
Net earnings	2,402	1,448	528	828
Net earnings per common share assuming dilution	\$ 0.34	0.21	0.08	0.12

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2004, 2003 AND 2002

NOTE 16 - SEGMENT FINANCIAL INFORMATION

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

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	MANAGEMENT COMPANIES (1) -----	HMOs & MANAGED PLANS (2) ---	CORPORATE & ELIMINATIONS -----	CON
2004				
Revenues - external customers	\$ -	\$ 20,923	\$ -	\$
Revenues - intersegment	18,352	-	(18,352)	
Interest and other income	163	998	-	
	-----	-----	-----	---
Total revenues	\$ 18,515	\$ 21,921	\$ (18,352)	\$
	=====	=====	=====	=====
Interest expense	\$ 66	\$ -	\$ -	\$
Earnings from continuing operations	4,967	2,904	-	
Loss from discontinued operations	(700)	-	-	
Segment assets	44,633	12,175	(36,727)	
Purchase of equipment	72	-	-	
Depreciation and amortization	227	-	-	
	=====	=====	=====	=====
2003				
Revenues - external customers	\$ -	\$ 22,591	\$ -	\$
Revenues - intersegment	13,291	-	(13,291)	
Interest and other income	231	1,708	-	
	-----	-----	-----	---
Total revenues	\$ 13,522	\$ 24,299	\$ (13,291)	\$
	=====	=====	=====	=====
Interest expense	\$ 140	\$ -	\$ -	\$
Earnings (loss) from continuing operations	(2,211)	9,544	-	
Loss from discontinued operations	(2,127)	-	-	
Segment assets	30,416	9,987	(25,289)	
Purchase of equipment	68	-	-	
Depreciation and amortization	296	-	-	
	=====	=====	=====	=====
2002				
Revenues - external customers	\$ -	\$ 163,094	\$ -	\$
Revenues - intersegment	16,191	-	(16,191)	
Interest and other income (loss)	(13)	2,095	-	
	-----	-----	-----	---
Total revenues	\$ 16,178	\$ 165,189	\$ (16,191)	\$
	=====	=====	=====	=====
Interest expense	\$ 216	\$ -	\$ -	\$
Earnings (loss) from continuing operations	639	(9,898)	-	
Loss from discontinued operations	(1,704)	-	-	
Segment assets	29,485	23,836	(19,985)	
Purchase of equipment	1,005	-	-	
Depreciation and amortization	320	-	-	
	=====	=====	=====	=====

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

(2) HMOs and Managed Plans: OmniCare Health Plan of Tennessee (2004, 2003, 2002) and County Care (through September 30, 2001).

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2004, 2003 AND 2002

NOTE 17 - RECENTLY ENACTED PRONOUNCEMENTS

The following are new accounting standards and interpretations that may be applicable in the future to the Company:

SFAS No. 149, "Amendments of Statement 133 on Derivative Instruments and Hedging Activities" amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The Statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this standard had no effect on the Corporation's financial condition or results of operations.

SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" was revised in December 2003. The revisions to SFAS132 are intended to improve financial statement disclosures for defined benefit plans by requiring more detail about plan assets, benefit obligations, cash flows, benefit costs and other relevant quantitative and qualitative information. The revisions are effective for fiscal years after December 15, 2003. The adoption of this standard had no effect on the Corporation's financial condition or results of operations.

Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition", was issued by the Securities and Exchange Commission ("SEC") in December 2003. SAB No. 104 revises and rescinds certain sections of SAB No. 101 in order to make this interpretive guidance consistent with current authoritative accounting and auditing guidance and SEC rules and regulations. Accordingly there is no impact the Corporation's financial condition or results of operations as a result of the issuance of SAB No. 104.

FIN 46R, a revision to FIN 46, "Consolidation of Variable Interest Entities", was issued in December 2003. FIN 46R clarifies some of the provisions of FIN 46 and exempts certain entities from its requirements. FIN 46R is effective at the end of the first interim period ending after March 15, 2004. Entities that have adopted FIN 46 prior to this effective date can continue to apply the provisions of FIN 46 until the effective date of FIN 46R. The adoption of FIN 46R had no effect on the Corporation's financial condition or results of operations.

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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"

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("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 Form 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 Form 10-K
4.2	Form of Common Share Certificate	Exhibit 4.2 to the Registrant's 1995 Form 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 March 18, 1987	Exhibit 10.5 to the Registr'nt's 1995 Form 10-K

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----	INCORPORATED HEREIN BY REFERENCE TO -----
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 Form 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 Registr'nt's 1994 Form 10-K
10.7	Management Agreement between UltraMedix Health Care Systems,	Exhibit 10.6 to Registrant's 1994 Form 10-K

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	Inc. and United American of Florida, Inc. dated February 1, 1994	
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 Form 10-K
10.9	Amendment dated September 20, 1995 to Management Agreement between UltraMedix Health Care Systems, Inc. and United American of Florida, Inc. dated February 1, 1995	Exhibit 10.10 to Registrant's 1995 Form 10-K
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 Registrant dated July 24, 1991	Exhibit 10.8 to the Registrant's 1994 Form 10-K
EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----	INCORPORATED HEREIN BY REFERENCE TO -----
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 Form 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 10-K

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10.16	Lease Agreement between Fleming Companies, Inc. and United American of Tennessee dated June 30, 1994, effective the date premises are ready for occupancy	Exhibit 10.3 to Registrant's 1994 Form 10-K
-------	---	---

EXHIBIT
NUMBER

DESCRIPTION OF DOCUMENT

INCORPORATED HEREIN BY
REFERENCE TO

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 Form 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/A 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 March 15, 1991	Exhibit 10.15 to 1991 S-1

EXHIBIT

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NUMBER -----	DESCRIPTION OF DOCUMENT -----	REFERENCE TO -----
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 Healthcare Financing, Inc. dated May 7, 1993	Exhibit 10.22 to Registrant's 1994 Form 10-K
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 September 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 Sale of Stock, between CHF Acquisition, Inc. and the Registrant dated September 12, 1997	Form 10-K filed October 14, 1997

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----	INCORPORATED HEREIN BY REFERENCE TO -----
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	Form 10-Q for the Quarter Ended March 31, 1998, filed May 15, 1998

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	Bank and Registrant dated March 12, 1998 (effective as of February 1, 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

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----	INCORPORATED HEREIN BY REFERENCE TO -----
10.40	Termination of Lease between Renaissance Holdings, Inc. (successor to Renaissance Center Venture) and Registrant dated June 24, 1998	Exhibit 10.40 to Registrant's 1998 Form 10-K
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

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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

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----	INCORPORATED HEREIN BY REFERENCE TO -----
10.50	Promissory Note from Registrant to UAH Securities Litigation Fund dated December 11, 1998	Form 10-Q for the Quarter Ended December 31, 1998, filed February 16, 1999
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.,	Form 10-Q for the Quarter Ended December 31, 2001, filed February 14, 2002

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dated November 29, 2001 and
effective September 30, 2001.

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----	INCORPORATED HEREIN BY REFERENCE TO -----
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 September 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
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

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EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----	INCORPORATED HEREIN BY REFERENCE TO -----
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