



PHC, Inc. Announces Ten-Year, \$80 Million Contract for Harmony Healthcare Subsidiary

December 20, 2006

Turn-Key Mental Health Care Contract for Major National Healthcare Provider to
Result in 160% Annual Revenue Growth for Harmony Unit

PEABODY, Mass., Dec. 20 /PRNewswire-FirstCall/ -- PHC, Inc., d.b.a. Pioneer Behavioral Health (OTC Bulletin Board: PIHC), a leading provider of inpatient and outpatient behavioral health services and pharmaceutical research, today announced that it has finalized a contract with Behavioral Healthcare Options (BHO), a subsidiary of Sierra Health Services, Inc. (NYSE: SIE). The contract calls for Pioneer to operate four clinics in the BHO network in Las Vegas and northern Arizona, effective January 1, 2007. The contract is valued at \$80 million, with an initial term of 10 years, or approximately \$8 million annually. The contract more than doubles Harmony's annual revenues, from an annual run-rate of \$5 million to approximately \$13 million. The contract is expected to be accretive to the company during the first year of deployment.

"We are extremely pleased to announce this milestone contract for Harmony Healthcare, one of the pillars of our Patient Services division," commented Bruce A. Shear, Chief Executive Officer of PHC. "Not only is this the largest contract signed in our Company's history, but it further validates our capabilities as a first-class provider and operator of behavioral health inpatient and outpatient care facilities."

The contract with BHO adds to Pioneer's position as a recognized leader of mental health services in the Greater Las Vegas metro area. In addition to the BHO relationship, Pioneer's presence in the community includes its current contracts to provide employee assistance programming at 21 separate locations. Pioneer will soon include Seven Hills Behavioral Hospital, scheduled to open in 2007.

Under the terms of the contract, Harmony will provide a full array of services including inpatient hospitalization, utilization and case management, outpatient services including individual and group therapy, medication management, psychological testing, as well as crisis and triage care for all Sierra members accessing BHO services. Harmony will operate four clinics, two in greater Las Vegas and two in northwest Arizona, formerly operated by BHO.

The location of BHO's clinics in Las Vegas gives Harmony a presence in the growing northwest and southeast areas of the city. Harmony is also a preferred provider for Sierra's PPO subsidiary, Sierra Health and Life Insurance Company, Inc.

"As BHO's membership grows, our new contract with Harmony broadens access to an expansive network of behavioral health services," said Garyn Ramos, chief operating officer of BHO.

"With this contract in place, we are on track to continue our revenue growth while expanding our profit margins and profitability during this current fiscal year," Mr. Shear continued. "As we have consistently articulated, we are on pace to accelerate our bedcount this year at the highest rate in corporate history. Since these facilities are up and running, we will be able to leverage our existing infrastructure to fulfill this contract, which should be accretive to our financial results by the fourth fiscal quarter, ending June 30, 2007. Our plans for expansion in Michigan and commencement of our operations at the Las Vegas Seven Hills facility are both proceeding according to plan, reinforcing management's optimism going forward."

About Pioneer Behavioral Health

Pioneer Behavioral Health operates companies that provide inpatient and outpatient behavioral health care services, clinical research and Internet- and telephonic-based referral services. The companies contract with national insurance companies, government payors, and major transportation and gaming companies, among others, to provide such services. For more information, please visit www.phc-inc.com or www.haydenir.com.

Statement under the Private Securities Litigation Reform Act of 1995:

Statement under the Private Securities Litigation Reform Act of 1995: This press release may include "forward-looking statements" that are subject to risks and uncertainties. Forward-looking statements include information about possible or assumed future results of the operations or the performance of the company and its future plans and objectives. Various future events or factors may cause the actual results to vary materially from those expressed in any forward-looking statements made in this press release. For a discussion of these factors and risks, see the company's annual report on Form 10-K for the most recently ended fiscal year.

Company Contact:
PHC, Inc.
Bruce A. Shear
(978) 536-2777

Investor Relations Contact:
Hayden Communications, Inc.
Matt Hayden or Peter Seltzberg
843-272-4653

SOURCE PHC, Inc.

-0-

12/20/2006

/CONTACT: Company Contact: Bruce A. Shear of PHC, Inc., +1-978-536-2777;
Investor Relations Contact: Matt Hayden or Peter Seltzberg, +1-843-272-4653,

both of Hayden Communications, Inc. /
/Web site: <http://www.phc-inc.com>
<http://www.haydenir.com> /
(PIHC SIE)

CO: PHC, Inc.; Behavioral Healthcare Options (BHO); Sierra Health Services,
Inc.

ST: Massachusetts

IN: HEA MTC OTC BIO

SU: CON

CM

-- NYW071 --

8944 12/20/2006 08:51 EST <http://www.prnewswire.com>