FORM 10-Q

CAREADVANTAGE INC - CADV

Filed: November 14, 2008 (period: September 30, 2008)

Quarterly report which provides a continuing view of a company's financial position

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2008

COMMISSION FILE NUMBER 0-26168

CAREADVANTAGE, INC.
(Exact name of small business issuer as specified in its charter)

DELAWARE	**52-1849794**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification Number)
485-C Route 1 South, Iselin, New Jersey	**08830**
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code: (732) 362-5000

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "Large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes ☐ No ☒

The number of shares of Common Stock outstanding as of October 15, 2008 is 60,861,665

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

CAREADVANTAGE, INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2008 Unaudited	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 164,000	$ 508,000
Accounts receivable	235,000	387,000
Prepaid expenses	83,000	107,000
Other current assets	26,000	41,000
Total current assets	508,000	1,043,000
Property and equipment, at cost net of accumulated depreciation	186,000	234,000
Intangible assets, net of accumulated depreciation	4,000	6,000
Security deposits	167,000	167,000
Total Assets	$ 865,000	$ 1,450,000
LIABILITIES AND STOCKHOLDERS' (DEFICIT)/EQUITY		
Current liabilities:		
Accounts payable	$ 353,000	$ 62,000
Accrued compensation and related benefits	72,000	124,000
Accrued professional fees	158,000	206,000
Other current liabilities	1,000	14,000
Deferred revenue	36,000	21,000
Capital lease obligation - current	58,000	58,000
Total current liabilities	678,000	485,000
Long term liabilities:		
Capital lease obligation - long term	93,000	138,000
Deferred rent	410,000	428,000
Total long term liabilities	503,000	566,000
Total Liabilities	1,181,000	1,051,000
Stockholders' (deficit)/equity:		
Preferred stock-par value $.10 per share; authorized 10,000,000 shares; none issued		
Common stock-par value $.001 per share; authorized 200,000,000 shares; issued 114,256,485 shares at September 30, 2008 and 113,256,485 at December 31, 2007 and outstanding 60,861,665 shares at September 30, 2008 and 59,861,665 at December 31, 2007	114,000	113,000
Additional capital	24,129,000	24,086,000
Accumulated deficit	(24,297,000)	(23,538,000)

Treasury stock at cost, 53,394,820 shares	(262,000)	(262,000)
Total Stockholders' (Deficit)/Equity	(316,000)	399,000
Total Liabilities and Stockholders' (Deficit)/Equity	$ 865,000	$ 1,450,000

See Notes to Unaudited Condensed Consolidated Financial Statements.

CAREADVANTAGE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	**2007**	**2008**	**2007**
License fees and service revenue	$ 876,000	$ 1,037,000	$ 2,888,000	$ 3,172,000
Costs of services	340,000	418,000	1,220,000	1,276,000
Gross profit	536,000	619,000	1,668,000	1,896,000
Operating expenses:				
Selling, general and administrative	791,000	682,000	2,407,000	2,079,000
Operating loss	(255,000)	(63,000))	(739,000)	(183,000)
Interest expense	6,000	4,000	18,000	13,000
Gain on sale of assets	-	-	-	32,000
Provision for income taxes	1,000	2,000	2,000	3,000
Net (loss)	$ (262,000)	$ (69,000)	$ (759,000)	$ (167,000)
Net (loss) per share of common stock	$ (.00)	$ (.00)	$ (.01)	$ (.00)
Weighted average number of common shares outstanding -				
Basic and diluted	60,862,000	58,074,000	60,836,000	57,213,000

See Notes to Unaudited Condensed Consolidated Financial Statements.

CAREADVANTAGE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2008	**2007**
Cash flows from operating activities:		
Net loss	$ (759,000)	$ (167,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	54,000	52,000
Stock based compensation	44,000	45,000
Deferred revenue	15,000	(24,000)
Deferred rent	(18,000)	57,000
Gain on sale of assets	-	(32,000)
Change in:		
Accounts receivable	152,000	129,000
Prepaid expenses and other assets	39,000	(68,000)
Accounts payable	291,000	(60,000)
Accrued expenses and other liabilities	(113,000)	29,000
Net cash used in operating activities	(295,000)	(39,000)
Cash flows from investing activity:		
Capital expenditures	(4,000)	(16,000)
Proceeds from sale of assets	-	32,000
Net cash (used in)/provided by investing activities	(4,000)	16,000
Cash flows from financing activity:		
Proceeds from exercise of stock options	-	25,000
Repayment of capital leases	(45,000)	(30,000)
Net cash used in financing activities	(45,000)	(5,000)
Net decrease in cash and cash equivalents	(344,000)	(28,000)
Cash and cash equivalents - beginning of period	508,000	371,000
Cash and cash equivalents - end of period	$ 164,000	$ 343,000

See Notes to Unaudited Condensed Consolidated Financial Statements.

Note A—Business:

[1] Business and Basis of Presentation:

CareAdvantage, Inc. ("CAI" or the "Company") and its direct and indirect subsidiaries, CareAdvantage Health Systems, Inc. ("CAHS") and Contemporary HealthCare Management, Inc. ("CHCM"), are in the business of providing management and consulting services designed to enable integrated health care delivery systems, other care management organizations, self-insured employers and unions to reduce the costs, while improving the quality, of medical services provided to their subscribers. The management and consulting services include care management program enhancement services, executive and clinical management services, and training programs. The Company operates in one business segment.

As part of offering its management and consulting services, the Company has developed RightPath® Navigator (RPNavigator), a proprietary tool to help managed care plans, employers and unions better understand and forecast resource consumption, risk, and costs associated with their respective populations. In providing its services, the Company licenses RPNavigator to its customers and provides consulting services in connection with that licensing.

The unaudited condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company generates most of its revenue from the licensing of RPNavigator and providing consulting services in connection with that licensing. Based on cash on hand at September 30, 2008 and a forecast prepared by management which took into account executed contracts, and cost reductions planned and effectuated since September 30, 2008, management expects the Company to be able to meet its obligations as they become due during the next twelve months. However, there can be no assurances that management's plans, including projected revenue, will be attained. The Company has a history of losses and for the three and nine months ended September 30, 2008 it had a net loss of $262,000 and $759,000, respectively. Additionally, at September 30, 2008, the Company has an accumulated deficit of $24,297,000, stockholders deficit of $316,000 and cash and cash equivalents of $164,000 at September 30, 2008. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. The unaudited condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company has prepared the condensed consolidated interim financial statements included herein, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been omitted pursuant to such rules and regulations. In the opinion of management, such financial statements reflect all adjustments necessary for a fair presentation of the results for the interim periods presented and to make such financial statements not misleading. All adjustments necessary for a fair presentation of interim period results are of a normal recurring nature unless otherwise noted. The Company's results of operations for the three and nine months ended September 30, 2008 are not necessarily indicative of the results to be expected for the full year. The Company urges you to read these interim financial statements in conjunction with the consolidated financial statements and notes thereto included in our Annual Report filed on Form 10-KSB for the year ended December 31, 2007.

[2] Adoption of Accounting Standards:

In September 2006, the Financial Accounting Standards Board issued SFAS No. 157, "Fair Value Measurements", to define fair value, establish a framework for measuring fair value in accordance with generally accepted accounting principles, and expand disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The provisions under SFAS No. 157 were effective for the Company beginning January 1, 2008. In February 2008, the FASB issued FASB Staff Position No. 157-2, "Effective Date of FASB Statement No. 157", which defers the effective date of SFAS No. 157 for all nonrecurring fair-value measurements of nonfinancial assets and liabilities until fiscal years beginning after November 15, 2008. The adoption of this pronouncement did not have a material impact on our financial position and results of operations.

In February 2007, the Financial Accounting Standards Board issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" including an amendment of SFAS No. 115. SFAS No. 159 provides companies with an option to report selected financial liabilities at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The provisions under SFAS No. 159 were effective for the Company beginning January 1, 2008. The adoption of this pronouncement did not have a material impact on our financial position and results of operations.

In April 2008, the Financial Accounting Standards Board issued Staff Position No. 142-3, “Determination of the Useful Life of Intangible Assets” (“FSP No. 142-3”). FSP No. 142-3 amends the factors to be considered when developing renewal or extension assumptions that are used to estimate an intangible asset’s useful life under SFAS No. 142, “”Goodwill and Other Intangible Assets”. FSP No. 142-3 is effective for fiscal years beginning after December 15, 2008. The adoption of this pronouncement will not have a material impact on our financial position and results of operations.

In May 2008, the Financial Accounting Standards Board issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles”. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 will be effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles”. The adoption of this pronouncement will not have a material impact on our financial position and results of operations.

In June 2008, the Financial Accounting Standards Board issued Staff Position No. EITF 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities” (“FSP No. EITF 03-6-1”). FSP No. EITF 03-6-1 addresses whether instruments granted in share-based payment transaction are participating securities prior to vesting and, therefore, need to be included in the earnings per share (“EPS”) calculation under the two-class method described in FASB Statement No. 128, “Earnings Per Share”. This FSP is effective for fiscal years beginning after December 15, 2008. All prior-period EPS data will have to be adjusted retrospectively to conform to the provisions of this FSP. The adoption of this pronouncement will not have a material impact on our financial positions and results of operations.

In October of 2008, the Financial Accounting Standards Board issued Staff Position No. 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active,” which clarifies the application of FASB Statement No. 157 in a market that is not active. This FSP is effective for fiscal years beginning after October 10, 2008. The adoption of this pronouncement will not have a material impact on our financial position and results of operations.

Note B—Per share data:

Basic and diluted net loss per share has been computed based on the weighted average number of outstanding shares of common stock. Potentially dilutive securities which were excluded from the computation of basic loss per share for the three and nine months ended September 30, 2008 and 2007 because they had an anti-dilutive impact are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Total Potential Dilutive shares	**13,266,000**	**16,866,000**	**13,266,000**	**16,866,000**

Note C—Stock-Based Compensation:

The Company recognizes stock-based compensation in accordance with Statement of Financial Accounting Standard No. 123R, “Share Based Payment” (“FAS 123R”), which requires that all share-based payments, including grants of stock options, be recognized in the statement of operations as a compensation expense, based on their fair values at the date of grant. Under the provisions of FAS 123R, the estimated fair value of options granted under the Company's Employee Stock Option Plan and Director Stock Option Plan are recognized as compensation expense over the option-vesting period.

For the three and nine months periods ended September 30, 2008, the Company included approximately $2,000 and $44,000, respectively, of share-based compensation in the Company’s statement of operations. For the three and nine months ended September 30, 2007, the Company included approximately $13,000 and $45,000, respectively, of shared-based compensation in the Company’s statement of operations. For the nine months ended September 30, 2008, the total share based compensation included approximately $20,000 stock charge related to a stock bonus grant of one million shares to an employee.

FAS 123R requires cash flows resulting from the tax benefits of tax deductions in excess of the compensation cost recognized upon exercise for those options (excess tax benefits) to be classified as financing cash flows. The Company did not realize any tax benefits from stock options during the three and nine months ended September 30, 2008 and 2007.

As of September 30, 2008, there was approximately $19,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under existing stock option plans. This cost is expected to be recognized over the weighted average remaining vesting period of .62 years.

Note D—Contingencies:

Alan Fontes v. CareAdvantage, Inc., pending in Superior Court of New Jersey, Chancery Division, Monmouth County, was commenced in June 2004 by a former employee of the Company seeking compensation under various legal theories. In October 2005, the court dismissed the claim under all theories except express contract. The Company believes that Mr. Fontes's claim, which is for approximately $42,500, is without merit and is contesting the matter vigorously. Moreover, the Company filed a counterclaim for damages against Mr. Fontes claiming Mr. Fontes induced another employee to quit his employment with the Company and in October 2005, pursuant to court order, amended its counterclaim to seek equitable relief and damages against Mr. Fontes and Integrated eCare Solutions, LLC, claiming Mr. Fontes misappropriated and used certain Company property. This matter is presently being tried before a judge; it is not certain when the trial is expected to conclude.

Note E—Concentration of Credit Risk:

Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable. The Company maintains its cash balances in high quality financial institutions. At times, the amount of cash maintained in a given financial institution may exceed the federally insured limits.

Note F—Leased Space:

The Company's executive offices and operations, comprising approximately 28,000 square feet of office space, are located in the Metropolitan Corporate Plaza in Iselin, New Jersey. The Company had executed a six-year lease for this facility commencing June 15, 1995, which was extended during 2000 for ten additional years. The extended lease provides for an annual base rent of approximately $668,000 with annual escalations based on increases in real estate taxes and operating expenses. As a result of the Company's ceasing to provide services to Horizon BCBSNJ, the Company no longer needed 20,500 square feet of this space.

On January 10, 2005, the Company entered into a Second Amendment to Lease Agreement commencing January 1, 2005 to provide for the reduction in base rent and the waiver of escalations based on increases in real estate taxes and operating expenses, and to provide the landlord with the option to recapture up to 50% of the leased premises at any time. The expiration date of the lease, March 31, 2011, remains unchanged by the Lease Amendment.

Under the Second Amendment to Lease Agreement, the Company is required to meet the following conditions: (1) the Company cannot assign the lease except for an assignment of the lease or a sublet provided under the original lease; (2) the Company is not in default under any terms and conditions of the original lease. In the event the Company fails to meet these conditions, the reduction in base rent, real estate taxes and operating expenses will be nullified and entirely forfeited, and the Company will be immediately required to pay the landlord additional rent for the difference in the base rent, and additional rent for all escalations provided in the Second Amendment to Lease Agreement and the original lease as extended. As of January 1, 2005, the additional rent attributable to the difference in base rent is $1,257,000.

Effective April 19, 2007 (the “Recapture Date”), the Company’s landlord “recaptured” certain portions of the leased premises pursuant to the provisions of the Second Amendment to Lease Agreement dated January 10, 2005 (the “Second Amendment”). This recapture did not reduce or modify, in any respect, the Company’s obligations to pay to the landlord monthly rent or, in the event the Company fails to meet above conditions, additional rent. Effective as of the Recapture Date, the premises leased by the Company under the lease is deemed to be and refer only to 15,629 rentable square feet.

As of March 26, 2008, the Company and landlord entered into a Third Amendment of Lease which provided that the reduction in base rent and the waiver of escalations based on increases in real estate taxes and operating expenses shall be deemed to be amortized on a straight line basis over the period commencing January 1, 2005 and ending March 31, 2011.

At September 30, 2008, the additional rent that would be due if the Company failed to meet the conditions of the Second Amendment to Lease Agreement would be $503,000. The additional base rent that would be due at December 31 of the next three years if the Company failed to meet the conditions of the Second Amendment is as follows:

Year Ending	Additional Rent
2008	$ 452,000
2009	$ 251,000
2010	$ 50,000

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statements:

Statements in this Form 10-Q may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"), including statements concerning management's plans, intentions and expectations with respect to future financial performance and future events, particularly relating to revenues from performance-based services and re-negotiations of existing and new contracts with customers. Many of these statements involve known and unknown risks, uncertainties and contingencies, many of which are beyond our control, which could cause actual results and outcomes to differ materially from those expressed in this 10-Q. For a more complete discussion of these risk factors, please see "Cautionary Statements" in Item 6 of the Company's Form 10-KSB for the fiscal year ended December 31, 2007. Although we believe that our plans, intentions and expectations reflected in these forward-looking statements are reasonable, we can give no assurance that our plans, intentions or expectations will be achieved.

GENERAL OVERVIEW:

The Company and its direct and indirect subsidiaries, CAHS and CHCM, are in the business of providing management and consulting services designed to enable integrated health care delivery systems, other care management organizations, self-insured employers and unions to reduce the costs, while improving the quality, of medical services provided to their subscribers. The management and consulting services include care management program enhancement services, executive and clinical management services, and training programs. The Company operates in one business segment.

As part of offering its management and consulting services, the Company has developed RightPath® Navigator (RPNavigator), a proprietary tool to help managed care plans, employers and unions better understand and forecast resource consumption, risk, and costs associated with their respective populations. In providing its services, the Company licenses RPNavigator to its customers and provides consulting services in connection with that licensing. The tool uses 3M's Clinical Risk Groups (CRGs), a classification methodology that groups members according to risk related to the individual's clinical history and demographic information. Using RPNavigator, the Company enables its customers to:

- access meaningful information via an Internet-based portal;
- track population and member-related disease status and severity over time;
- compare client sub-populations;
- profile providers using case mix and severity-adjusted techniques;
- select and prioritize members who would best benefit from care management interventions;
- understand adverse selection associated with existing and/or newly-obtained business as well as understand the impact of a plan's overall turnover in terms of stayers and leavers;
- reduce the dependence on internal resources to develop and produce required reports to accomplish these tasks

With respect to RPNavigator license fees, most of the Company's customers licensing RPNavigator are required, as part of their agreements with the Company, to receive consulting services from the Company. All contracts provide for licensing of RPNavigator and consulting services at a fixed monthly fee, a per member per month fee, or a combination of both. The Company earns the revenue from licensing and consulting services on a monthly basis and recognizes revenue from both services on a monthly basis at either a fixed monthly fee, a per member per month fee or a combination of both. Additionally, the Company provides separate consulting services on a fee for service basis. Revenue for these consulting services is recognized as the services are provided.

Management believes it must continue refinement of its current service lines in order to continue adding value to existing and potential customers. Management intends to continue its evaluation of each service in light of anticipated changes in the health care industry, the cost to enter each such service line as well as the availability and timeliness of competent resources. To further expand its line of services, the Company contemplates pursuing alternatives to its internal product and service development efforts by entering into strategic alliances and joint ventures.

RESULTS OF OPERATIONS:

The following discussion compares the Company’s results of operations for the three and nine months ended September 30, 2008, with those for the three and nine months ended September 30, 2007. The Company’s condensed consolidated financial statements and notes thereto included elsewhere in this report contain detailed information that should be referred to in conjunction with the following discussion.

Three Months Ended September 30, 2008, Compared to Three Months Ended September 30, 2007

Revenues:

The Company's total operating revenues for the three-month periods ended September 30, 2008 and September 30, 2007 were approximately $876,000 and $1,037,000, respectively. The revenue was generated primarily from licensing and consulting fees earned during these periods. The current revenue amount represents a decrease of approximately $161,000 for the three-month period ended September 30, 2008 from the corresponding period of the prior year. The decrease for the three months ended September 30, 2008 was primarily attributable to a decrease of approximately $265,000 largely due to decreased membership of one existing customer, offset by an increase in business of approximately $41,000 from other existing customers and increased revenue of approximately $63,000 in new business.

Cost of services:

The Company’s total direct cost of services for the three-month periods ended September 30, 2008 and September 30, 2007 was approximately $340,000 and $418,000, respectively. This represents a decrease of approximately $78,000 for the three-month period ended September 30, 2008 over the corresponding period of the prior year. The decrease in the cost of services for the three-month period ended September 30, 2008 was primarily due to decreased personnel costs of approximately $81,000 due to employee terminations and travel costs of approximately $3,000, offset by an increase of approximately $6,000 in professional costs.

Selling, general and administrative expenses:

The Company’s total selling, general, and administrative costs for the three-month periods ended September 30, 2008 and September 30, 2007 were approximately $791,000 and $682,000, respectively. This represents an increase of approximately $109,000 for the three-month period ended September 30, 2008 over the corresponding period of the prior year. This increase for the three-month period ended September 30, 2008 is primarily due to increases in personnel costs of approximately $45,000, increased professional costs of approximately $117,000 related to the Fontes litigation, offset by decreased facility costs of approximately $9,000, travel costs of approximately $4,000 and a decrease of approximately $40,000 in other general and administrative costs, which include a reduction in insurance costs of approximately $26,000 and decreased stock compensation charge of approximately $12,000.

Nine Months Ended September 30, 2008, Compared to Nine Months Ended September 30, 2007

Revenues:

The Company's total operating revenues for the nine-month periods ended September 30, 2008 and September 30, 2007 were approximately $2,888,000 and $3,172,000, respectively. This represents a decrease of approximately $284,000 for the nine-month period ended September 30, 2008 from the corresponding period of the prior year. The decrease for the nine months ended September 30, 2008 was primarily attributable to decreased revenue of approximately $550,000 due to decreased membership of one existing customer, offset by increased revenue of approximately $55,000 in business from other existing customers and approximately $211,000 in new business.

Cost of services:

The Company’s total direct cost of services for the nine-month periods ended September 30, 2008 and September 30, 2007 was approximately $1,220,000 and $1,276000, respectively. This represents a decrease of approximately $56,000 for the nine-month period ended September 30, 2008 over the corresponding period of the prior year. This decrease for the nine-month period ended

September 30, 2008 is primarily due to decreases in personnel costs of approximately $52,000 due to employee terminations and travel costs of approximately $6,000, offset by increases of approximately $2,000 in professional costs.

Selling, general and administrative expenses:

The Company's total selling, general, and administrative costs for the nine-month periods ended September 30, 2008 and September 30, 2007 were approximately $2,407,000 and $2,079,000, respectively. This represents an increase of approximately $328,000 for the nine-month period ended September 30, 2008 over the corresponding period of the prior year. This increase for the nine-month period ended September 30, 2008 is primarily due to increases in personnel costs of approximately $157,000, an increase in professional costs of approximately $231,000 related to the Fontes litigation and a combined increase in information and communication costs of approximately $6,000, offset by decreases in facility costs of approximately $9,000, travel costs of approximately $9,000, and decreases of approximately $48,000 in other general and administrative costs which include a reduction in insurance costs of approximately $58,000.

Net Loss:

The Company's net loss for the nine month period ended September 30, 2007 includes a gain on sale of fixed assets of approximately $32,000.

LIQUIDITY, FINANCIAL CONDITION AND CAPITAL RESOURCES:

General overview:

At September 30, 2008, the Company had negative working capital of approximately $170,000, stockholders deficit of approximately $316,000 and an accumulated deficit of approximately $24,297,000.

Financial condition:

At September 30, 2008, the Company had cash of approximately $164,000 and a negative working capital of approximately $170,000. At December 31, 2007, the Company had cash of approximately $508,000 and working capital of approximately $558,000.

Net cash used in operating activities amounted to approximately $295,000 for the nine-month period ended September 30, 2008. The cash used in operating activities is largely due to changes in operating assets and liabilities relating primarily to the collection of accounts receivable of approximately $152,000 and an increase in accounts payable of approximately $291,000 largely due to increases in professional costs, stock compensation charges and depreciation and amortization charges, offset by the Company's nine-month loss of approximately $759,000.

Net cash used in investing activities for the nine-month period ended September 30, 2008 was approximately $4,000 related to capital expenditures.

Net cash used in financing activities for the nine-month period ended September 30, 2008 was approximately $45,000 related to payments on capital leases for equipment.

The Company generates most of its revenue from the licensing of RPNavigator and providing consulting services in connection with that licensing. Based on cash on hand at September 30, 2008 and cash flow from operations based on a forecast prepared by management, management expects the Company to be able to meet its obligations as they become due during the next twelve months. Such forecast includes contracts with new customers as well as expanding business with current customers that is expected to start in the next three to six months. However, there can be no assurances that management's plans, including projected revenue, will be attained. The Company has a history of losses and for the three and nine months ended September 30, 2008 it had a net loss of $262,000 and $759,000, respectively. Additionally, at September 30, 2008, the Company has an accumulated deficit of $24,297,000, stockholders deficit of $316,000 and cash and cash equivalents of $164,000 at September 30, 2008. These factors raise substantial doubt regarding the Company's ability to continue as a going concern.

Critical Accounting Policies:

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities.

Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and assumptions about future events and their effects cannot be determined with certainty. These estimates may change as new events occur, as additional information is obtained and as our operating environment changes. These changes have historically been minor and have been included in the consolidated financial statements as soon as they became known. In addition, our management is periodically faced with uncertainties, the outcomes of which are not within our control and will not be known for prolonged periods of time. Actual results may differ from these estimates under different assumptions or conditions.

Certain accounting policies have a significant impact on amounts reported in financial statements. A summary of those significant accounting policies can be found in Note B to the Company's audited financial statements filed on the Company's Form 10-KSB for the fiscal year ended December 31, 2007.

A critical accounting policy is one that is both important to the portrayal of the Company's financial condition or results of operations and requires significant judgment or a complex estimation process. The Company believes the following fit that definition:

Revenue recognition

With respect to RPNavigator license fees, most of the Company's customers licensing RPNavigator are required, as part of their agreements with the Company, to receive consulting services from the Company. All contracts provide for licensing of RPNavigator and consulting services at a fixed monthly fee, a per member per month fee, or a combination of both. The Company earns the revenue from licensing and consulting services on a monthly basis and recognizes revenue from both services on a monthly basis at either a fixed monthly fee, a per member per month fee or a combination of both. Additionally, the Company provides separate consulting services on a fee for service basis. Revenue for these consulting services is recognized as the services are provided.

Accounting for stock-based compensation

The Company recognizes stock-based compensation in accordance with Statement of Financial Accounting Standard No. 123R, “Share Based Payment” (“FAS 123R”), which requires that all share-based payments, including grants of stock options, be recognized in the statement of operations as compensation expense, based on their fair values at the date of grant. Under the provisions of FAS 123R, the estimated fair value of options granted under the Company's Employee Stock Option Plan and Director Stock Option Plan are recognized as compensation expense over the service period which is generally the same as the option-vesting period.

For the purposes of determining estimated fair value under FAS 123R, the Company has computed the fair values of all share-based compensation using the Black-Scholes option pricing model. This model requires the Company to make certain estimates and assumptions. The Company calculated expected volatility based on the Company's historical stock volatility. The computation of expected life is determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. Under FAS123R, forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate is adjusted periodically based on the extent to which the actual forfeitures differ, or are expected to differ, from the previous estimate.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board issued SFAS No. 157, “Fair Value Measurements”, to define fair value, establish a framework for measuring fair value in accordance with generally accepted accounting principles, and expand disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The provisions under SFAS No. 157 were effective for the Company beginning January 1, 2008. In February 2008, The FASB issued FASB Staff Position No. FAS 157-2, “Effective Date of FASB Statement No. 157”, which provides a one year deferral of the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value. The adoption of this pronouncement did not have a material impact on our financial position and results of operations.

In February 2007, the Financial Accounting Standards Board issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” including an amendment of SFAS No. 115. SFAS No. 159 provides companies with an option to report selected financial liabilities at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The provisions under SFAS No. 159 were effective for the Company beginning January 1, 2008. The adoption of this pronouncement did not have a material impact on our financial position and results of operations.

In April 2008, the Financial Accounting Standards Board issued Staff Position No. 142-3, “Determination of the Useful Life of Intangible Assets” (“FSP No. 142-3”). FSP No. 142-3 amends the factors to be considered when developing renewal or extension assumptions that are used to estimate an intangible asset’s useful life under SFAS No. 142, “”Goodwill and Other Intangible Assets”. FSP No. 142-3 is effective for fiscal years beginning after December 15, 2008. The adoption of this pronouncement will not have a material impact on our financial position and results of operations.

In May 2008, the Financial Accounting Standards Board issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles”. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 will be effective 60 days following the SEC’s approval of the Public Company

Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles". The adoption of this pronouncement will not have a material impact on our financial position and results of operations.

In June 2008, the Financial Accounting Standards Board issued Staff Position No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP No. EITF 03-6-1"). FSP No. EITF 03-6-1 addresses whether instruments granted in share-based payment transaction are participating securities prior to vesting and, therefore, need to be included in the earnings per share ("EPS") calculation under the two-class method described in FASB Statement No. 128, "Earnings Per Share". This FSP is effective for fiscal years beginning after December 15, 2008. All prior-period EPS data will have to be adjusted retrospectively to conform to the provisions of this FSP. The adoption of this pronouncement will not have a material impact on our financial positions and results of operations.

In October of 2008, the Financial Accounting Standards Board issued Staff Position No. 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active," which clarifies the application of FASB Statement No. 157 in a market that is not active. The adoption of this pronouncement will not have a material impact on our financial position and results of operations.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4T. Controls and Procedures

(a) Disclosure Controls and Procedures

Senior management maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods provided in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer, who is also currently the acting Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, senior management has recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and therefore has been required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

In accordance with Rule 13a-15(b) of the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer, who is also the acting Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer, who is also the acting Principal Financial Officer, concluded that certain control deficiencies as described below existed in our internal control over financial reporting as of September 30, 2008. As a result of these deficiencies, our Chief Executive Officer, who is also the acting Principal Financial Officer, has concluded that our disclosure controls and procedures are not effective at the reasonable assurance level as of September 30, 2008.

We previously reported two control deficiencies that constituted material weaknesses in our internal control over financial reporting as of December 31, 2007, which were described in Item 8A(T), *Management's Report on Internal Control over Financial Reporting* in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2007. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses identified were as follows:

- We had inadequate staffing within the bookkeeping and accounting operations and a lack of financial accounting expertise at our Company.

- We had one person, Dennis J. Mouras, performing the roles of the chief executive officer and principal financial officer. As a result, we did not maintain adequate segregation of duties within our critical financial reporting applications, the related modules and financial reporting processes

A more detailed discussion of these control deficiencies can be found Item 8A(T), *Management's Report on Internal Control over Financial Reporting* in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2007.

As indicated in paragraph (b) of this Item 4T, for the quarter beginning July 1, 2008, the Company retained an independent consultant with financial accounting expertise to supplement its staff in providing bookkeeping and accounting operations. As a result, management believes that the first identified material weakness did not exist as of September 30, 2008.

Even though management is not aware of any instance in which the Company failed to identify or resolve a disclosure matter or failed to perform a timely and effective review, the second control deficiency described above could result in a misstatement of balance sheet and income statement accounts and statements of cash flow in our interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, management determined that this control deficiency constitutes a material weakness. Our management believes that this material weakness still existed as of September 30, 2008.

Notwithstanding management's determination that a material weakness identified above existed in our disclosure controls and procedures as of September 30, 2008, we believe that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q correctly present in all material respects our financial position, results of operations and cash flows for the periods covered therein.

(b) Changes in Internal Control Over Financial Reporting

During the quarter ended September 30, 2008, the Company retained an independent consultant with financial accounting expertise to supplement its staff in providing bookkeeping and accounting operations. Except for the foregoing, there have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, these controls.

As stated above, Management believes that the second material weakness described under the caption "Item 8A(T) — Controls and Procedures" in the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2007 existed as of September 30, 2008 (i.e., a single person performs the roles of the chief executive officer and principal financial officer). Although we will continue to evaluate and monitor the potential impact that this deficiency presents, our present intention is to not hire a separate principal financial officer unless and until our revenue and net income levels and/or the complexity of our operations warrant such a change. Certain of these remediation actions are described under the caption "Item 8A(T) — Controls and Procedures" in the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2007. Efforts to remediate and test our internal control over financial reporting are continuing and are expected to continue throughout fiscal 2008 and beyond.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

CareAdvantage, Inc. v. Blue Cross & Blue Shield of Rhode Island and Coordinated Health Partners , commenced March 2002 and pending in the Superior Court of the State of Rhode Island, arises out of the defendants' termination of an Agreement effective as of January 1, 2000, among the parties pursuant to which the Company had been providing services. The Company is seeking declaratory relief including judgment (i) that the Company's failure to attain Performance Goals under the Agreement was as a result of the defendants' conduct, (ii) that defendants lacked cause to terminate the Agreement based on the Company's failure to meet the Performance Goals, and (iii) that the Company is entitled to compensation under the Agreement, including compensation for having been deemed to have met the Performance Goals. In addition, the suit seeks equitable relief and damages with respect to defendants' hiring a physician formerly employed by the Company.

The Company is subject to an additional material legal proceeding, a description of which is found in Note D to the Unaudited Condensed Consolidated Financial Statements contained elsewhere in this report and incorporated herein by reference. With the exception of these legal proceedings, there are no material pending legal proceedings other than ordinary routine litigation incidental to the business of the Company.

Item 1A. Risk Factors

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the Company's security holders during the quarter ended September 30, 2008.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

See Exhibit Index.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CareAdvantage, Inc

/s/ Dennis J. Mouras

November 14, 2008

Dennis J. Mouras
Chief Executive Officer and acting Principal Financial Officer

EXHIBIT INDEX

31	Certifications pursuant to Rule 13a-14(a), promulgated under the Securities Exchange Act of 1934, as amended, and Section 302 of the Sarbanes-Oxley Act of 2002*
32	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **

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* filed herewith

** furnished herewith

EXHIBIT 31

CAREADVANTAGE, INC. AND SUBSIDIARIES

CERTIFICATIONS

I, Dennis J. Mouras, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CareAdvantage, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(e) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation to the internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2008

/s/ Dennis J. Mouras

Dennis J. Mouras,
Chief Executive Officer and acting Principal Financial Officer

EXHIBIT 32

CAREADVANTAGE, INC
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to, and for purposes only of, 18 U.S.C. § 1350, I, Dennis J. Mouras, Chief Executive Officer and acting principal financial officer of CareAdvantage, Inc. (the "Company"), hereby certify that (i) the Quarterly Report of the Company on Form 10-Q for the quarter ended September 30, 2008 filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2008

/s/ Dennis J. Mouras

Dennis J. Mouras,
Chief Executive Officer and acting Principal Financial Officer