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Larry Kurtz

Vice President,
Investor Relations

Safe Harbor Clause

Some of the information in this presentation may constitute forward-looking statements that are subject to various uncertainties.

These uncertainties could cause actual results to differ materially from those projected or implied.

The risk factors associated with those uncertainties are described in the Company's reports and exhibits filed with the Securities and Exchange Commission.

Today's Agenda

Corporate Overview	John Hammergren
Financial Review	Jeff Campbell
National Accounts Panel	Paul Julian, leader
Hospital/Health Systems Panel	Pam Pure, leader
Manufacturer Panel	Heidi Yodowitz, leader
Payor Panel	Emad Rizk, leader
Q&A and Summary	John Hammergren
Lunch & Election Year Healthcare	Ann Berkey

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John Hammergren

Chairman and
Chief Executive Officer

McKesson's Comprehensive Offering of Products and Services

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McKesson Pharmaceutical

- #1 in North America
- Large Rx repackaging
- Leading generics provider
- #1 in retail pharmacy automation
- Patient services & specialty distribution services for manufacturers
- #1 in medical management software and services for payors
- Disease management

McKesson Medical-Surgical

- #1 in primary care
- #1 in extended care
- #1 in podiatry, EMS, OC Health
- Total supply solution in acute care
- Private label product offerings
- Rapid growth in physician office pharmaceuticals and equipment

McKesson Provider Technologies

- 63% of health systems
- 51% of hospitals with 200+ beds
- Comprehensive product and service offering
- More "Best in KLAS" products than any other vendor
- #1 in robotic hospital pharmacy dispensing
- #1 in bedside scanning

McKesson's Vision of Healthcare

Major Trends Driving Growth

- Demographics drive drug consumption
  - McKesson handles 30% of nation's drug needs
  - Increased involvement by consumers in their own healthcare
- Focus on technology to drive healthcare quality
  - Demand by payors and employers for improved outcomes
  - McKesson solutions deliver best practice information at point of care
- Focus on patient safety
  - McKesson solutions provide supply chain integrity and reduce medication errors – bar-code mandate for hospitals
- Focus on managing chronic diseases
  - McKesson provides health management solutions across spectrum
- Pressure to control healthcare costs
  - McKesson coordinates solutions between manufacturers, customers and payors to manage costs, improve quality, increase efficiency

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2003-2004 Healthcare Events

- Medicare Modernization Act of 2003
  - Senior Drug Discount Cards
  - Disease Management Projects
  - ePrescribing Projects
- FDA Bar Code Mandate for Hospitals
- Bush Administration Initiatives
  - HIT in State of the Union Address
  - Electronic Health Records for all Americans
  - David Brailer to National HIT Coordinator
  - Visit to Vanderbilt – Horizon Expert Orders

McKesson Strategy

Build strong, lasting, value-driven relationships with customers and suppliers

Create long-term relationships based on custom solutions that deliver ROI and quality

Sell McKesson's comprehensive solutions

Innovate with offerings that address emerging healthcare challenges

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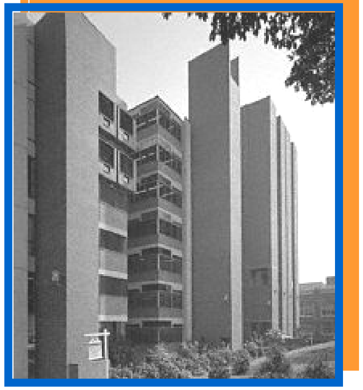
Broadest Customer Base in Healthcare



Manufacturers

450+ Pharmaceutical
2,000+ Medical-Surgical

Retail Pharmacies

25,000+ Locations

Providers

35,000+ Physician Practices
10,000+ Extended Care Facilities
5,000+ Hospitals
700+ Home Care Agencies
3,500+ Surgery Centers

Consumers

32 Million+ Covered Lives

Health Plans

600+ Payor Organizations

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Strong Relationships with Healthcare Leaders

RITE AID
WAL★MART
AstraZeneca
HEWLETT PACKARD
barr Laboratories, Inc.
Memorial Health Partners
SOUTHWEST WASHINGTON MEDICAL CENTER
Department of Veterans Affairs · United States of America
Omnicare
CHDMA
Mississippi Division Of MEDICAID
Pfizer
CAREMARK
Aetna
Johnson & Johnson
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Culture and Values

I care

Integrity
Customer-first
Accountability
Respect
Excellence

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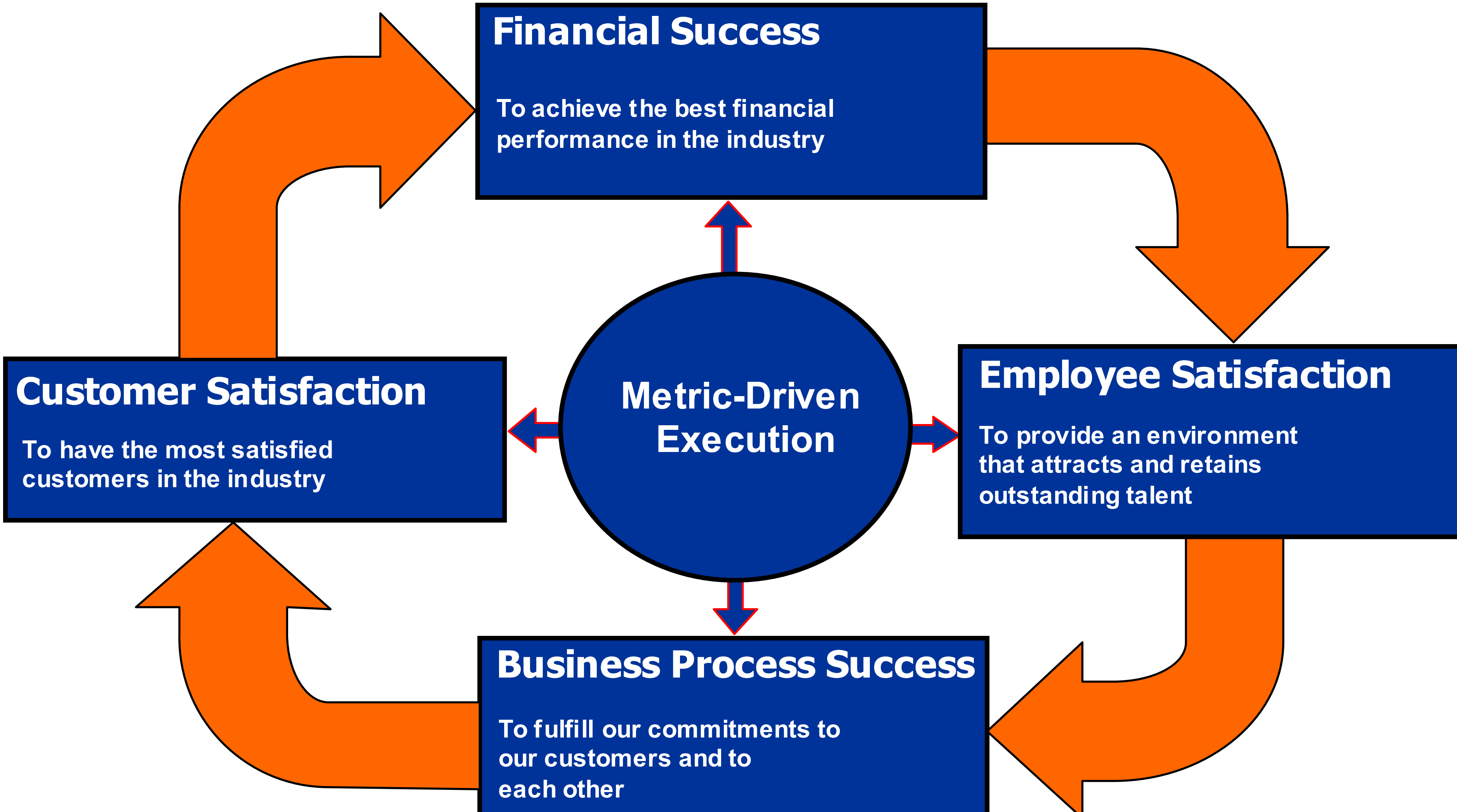
Business Metrics Drive Results



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FY04 Corporate Financial Highlights

- Revenues up 22% including warehouse sales
- Net income and EPS up 16%
- Cash flow from operations of $563 million
- Reduced DSI by three days
- Net debt to net capital ratio 13%
- ROCC 23.4%
- ROE 13.4%
- Share repurchases for year of $157 million

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Pharmaceutical Solutions FY04 Highlights

- Strong pharmaceutical distribution revenue growth in both U.S. and Canada
- Renewed agreements with 6 of 10 largest U.S. customers
- VA implementation proceeding very well
- Continued to expand generics business
- IT/Operations Plan nearing completion

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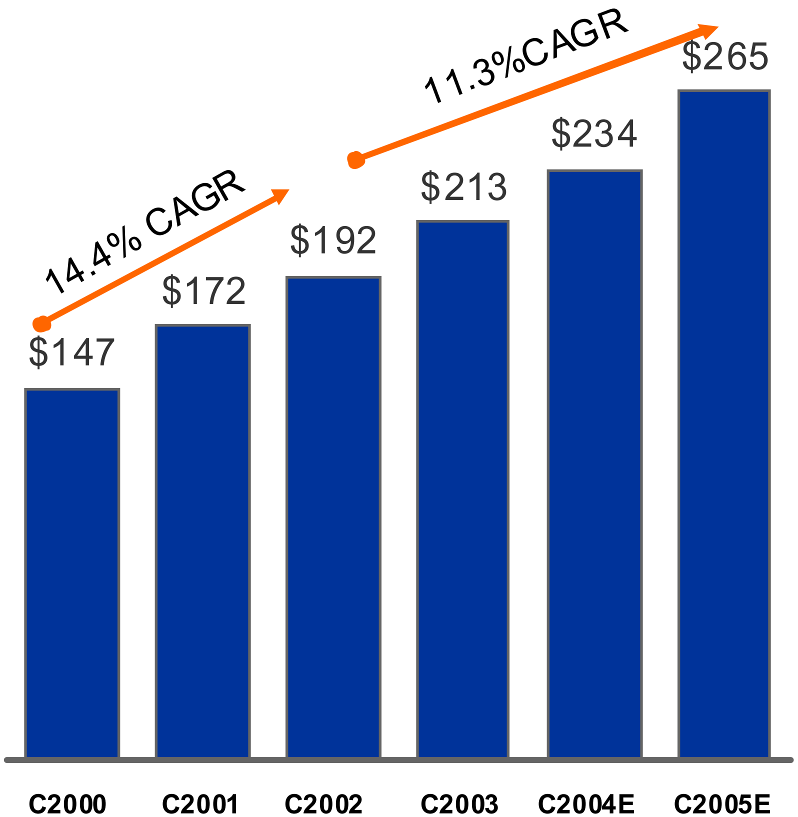
Pharmaceutical Revenue Growth Has Slowed, But Remains Strong

U.S. Market Pharmaceutical Sales

$Billions



Drivers of growth

- **Aging Baby Boomers driving drug demand**
- **Generic usage continues to grow**
  - **2003-05 patent expirations for $30 billion in U.S. sales**
- **Improving pace of FDA approvals and expanding pipeline**
  - **26 new launches in 2003 vs. 17 new launches in 2002**
- **Tiered co-pays driving non-compliance**

Source: IMS; 2002 Trends in the U.S. Pharmaceutical Market; Analyst reports

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Building on Long-Term Customer Relationships

	Customer Since
Department of Veterans Affairs	2004 *
OTN	2001
Caremark	2001 *
Safeway	1999 *
Rite-Aid	1998 *
Omnicare	1996 *
Albertsons	1995 *
Target	1994 *
Wal-Mart	1989
Costco	1985

Foundation for Continued Strong Growth

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* New contract or recent renewal

Progress with Manufacturer Economics

- Proactive strategy based on value provided: Core Distribution Agreements or CDAs
- In addition to CDAs, offer value added services
- Segmented manufacturers into 4 tiers
- Letters sent to Tier 4 companies and generic manufacturers
- Excellent progress being made

Rational & Analytical Customer Pricing

- Highly detailed and analytical approach to contracts
- Committed to retaining existing business at target returns
- Will bid selectively for new business when value proposition goes beyond price only

FY05 Pharmaceutical Solutions Goals

- Execute programs with manufacturers and customers
- Continue to leverage cost structure
- Complete execution of 3-year operating and technology plan
- Increase automation sales in U.S. and Canada
- Expand positions in Specialty Pharmaceuticals and Disease Management
- Successfully launch Rx Access card for seniors

Revenue growth in the mid-teens and improving profitability in second half

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Medical-Surgical Solutions FY04 Highlights

- Operating plan continues to deliver results
- Strong growth in alternate sites
- Expanded pharmaceuticals/vaccine program drives 13% growth in physician offices
- Successfully managed transition of acute care business
- Acquisition of Moore Medical April 1

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FY05 Medical-Surgical Solutions Goals and Expectations

- Complete IT implementation and continue to leverage cost structure
- Continue to expand Alternate Site business – integrate Moore Medical
- Introduce Closed Loop Supply Management into Acute Care business

Return to revenue growth and continue operating profit improvement

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Provider Technologies FY04 Highlights

- Continued demand for clinical solutions
- Revenue growth modest
  - Software revenues impacted by complex clinical installations and slower demand for non-clinical software
- Customer satisfaction and product innovation continue to increase
- Reorganization should enhance product integration and selling effectiveness under one McKesson strategy

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FY05 Provider Technologies Goals and Expectations

- Expand leadership position in "Digitizing Healthcare"
  - Extend sales/implementations of document and medical imaging solutions
  - Work with CMS to develop standards for EHR
- Accelerate clinical implementations and automation installations
- Increase sales of Medication Safety Solution
- Increase investments in new product innovation while continuing to leverage cost structure
- Renegotiate NHS contract and continue implementation

Revenue growth in mid-single digits and operating margin improvement

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Fiscal 2005: $30 Million of Incremental Strategic Investments

- Core investments in R&D, PPE continue
- Incremental investments in longer-term opportunities:
  - Rx Access CMS drug card for seniors
  - Payor business expansion
  - Specialty Pharmaceuticals
  - ePrescribing
  - Closed Loop Supply Management
  - Patient Safety

Options for future growth in addition to turnaround in core business

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Outlook

- FY05 expectation: $2.20 to $2.35 per share, first half down modestly, stronger growth in second half
- Long Term: grow revenues at or above 10% per year, achieve EPS growth in the mid-teens once the changes in business are completed

Create Value for Suppliers, Customers and Shareholders

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Jeff Campbell

Executive Vice President and Chief Financial Officer

Overview

- FY04 and FY05 Financial Highlights
- A longer term financial perspective
- Financial Reporting and Communications

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Financial Review

FY04 and FY05

Financial Highlights

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FY04 Financial Results

($ in millions, except EPS)	Original Segmentation			Recast		
	FY03	FY04		FY03	FY04	
Revenues						
Pharmaceutical Solutions*	$ 53,238	$ 65,621	23%	$ 53,059	$ 65,493	23%
Medical-Surgical Solutions	2,744	2,707	-1%	2,843	2,811	-1%
Provider Technologies	1,139	1,178	3%	1,219	1,202	-1%
Total	$ 57,121	$ 69,506	22%	$ 57,121	$ 69,506	22%
Operating Profit						
Pharmaceutical Solutions	$ 988	$ 933	-6%	$ 967	$ 980	1%
Medical-Surgical Solutions	65	92	40%	79	107	35%
Provider Technologies	95	190	102%	102	128	25%
Total	$ 1,148	$ 1,215	6%	$ 1,148	$ 1,215	6%
Operating Margin %						
Pharmaceutical Solutions*	1.86%	1.42%	(44) bp	1.82%	1.50%	(32) bp
Medical-Surgical Solutions	2.38%	3.38%	100 bp	2.79%	3.79%	100 bp
Provider Technologies	8.29%	16.16%	787 bp	8.33%	10.66%	233 bp
Net Income	$ 555	$ 647	16%	$ 555	$ 647	16%
Diluted EPS	$ 1.88	$ 2.19	16%	$ 1.88	$ 2.19	16%

* Includes Warehouse Sales

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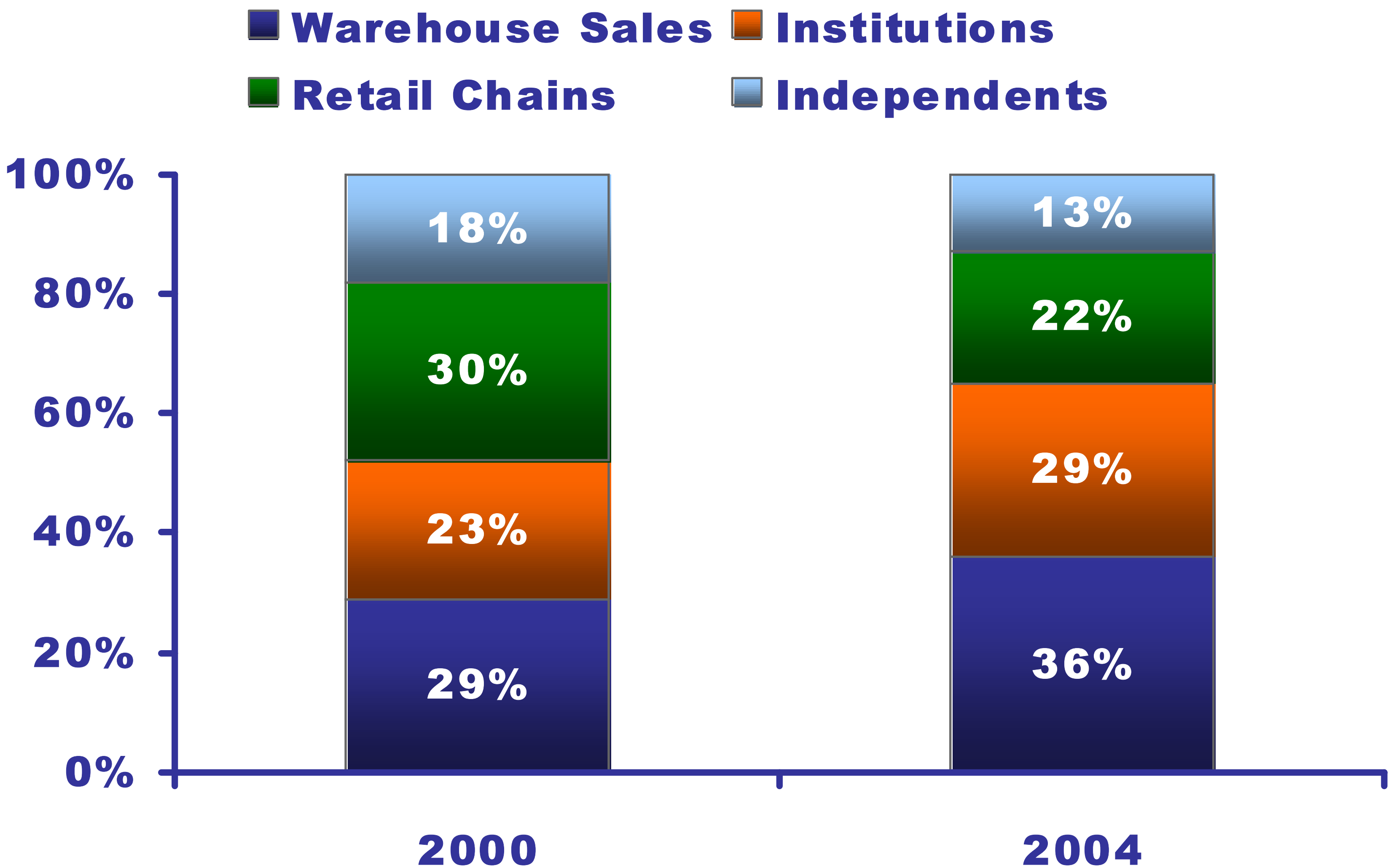
Customer Mix of U.S. Pharmaceutical



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Financial Review

A Longer Term

Financial Perspective

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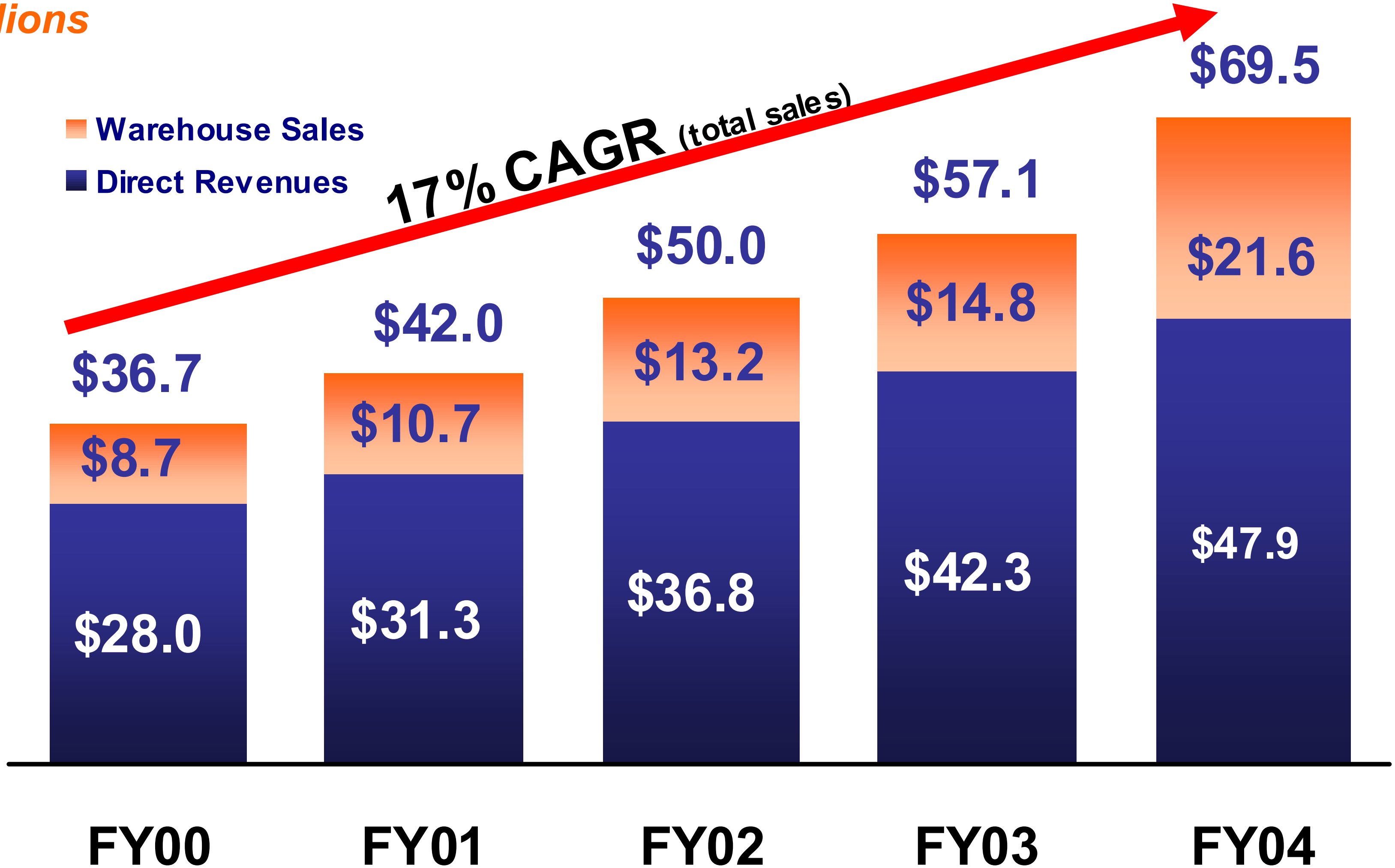
Revenues

$Billions



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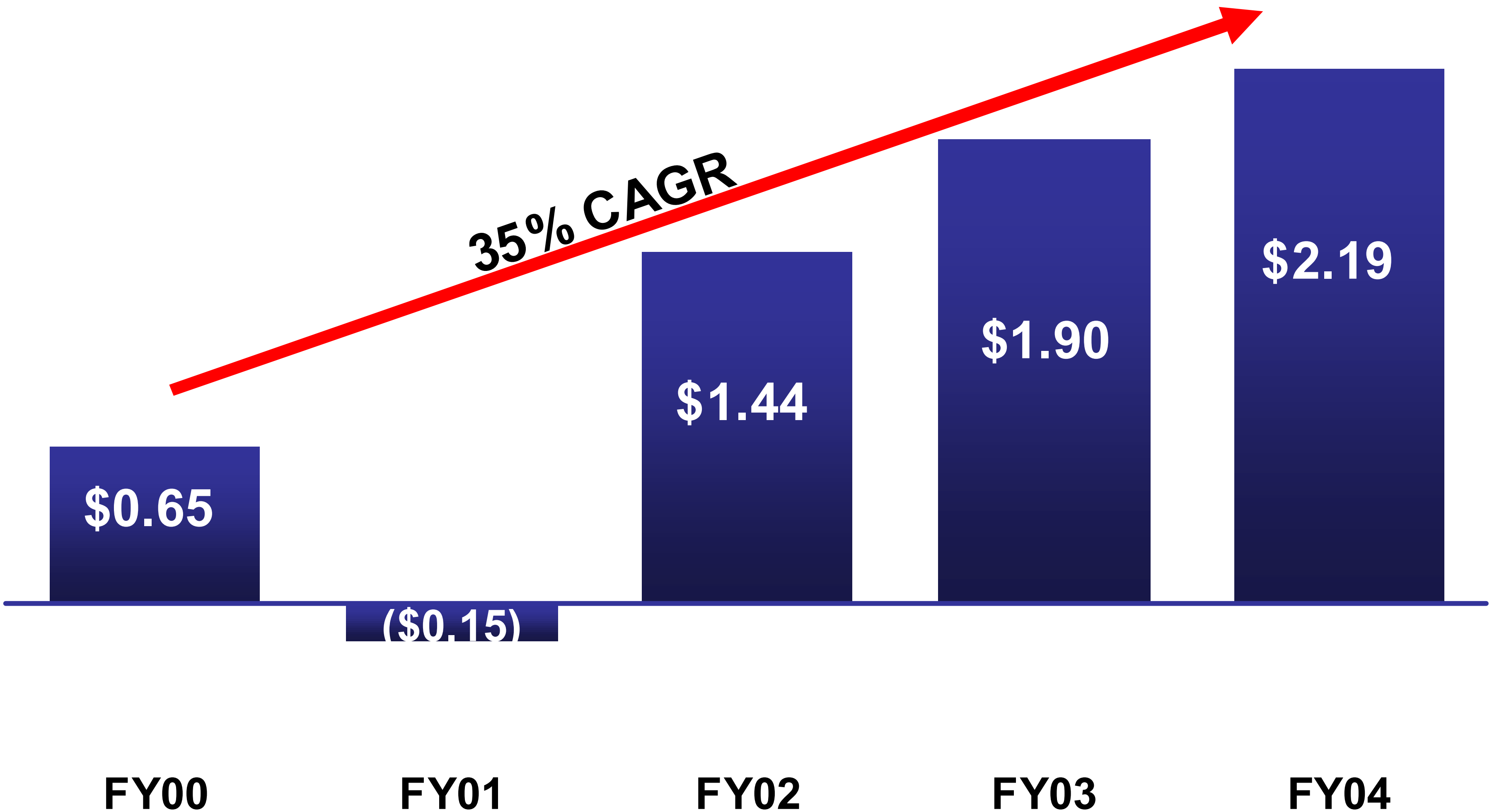
EPS (Continuing Operations)



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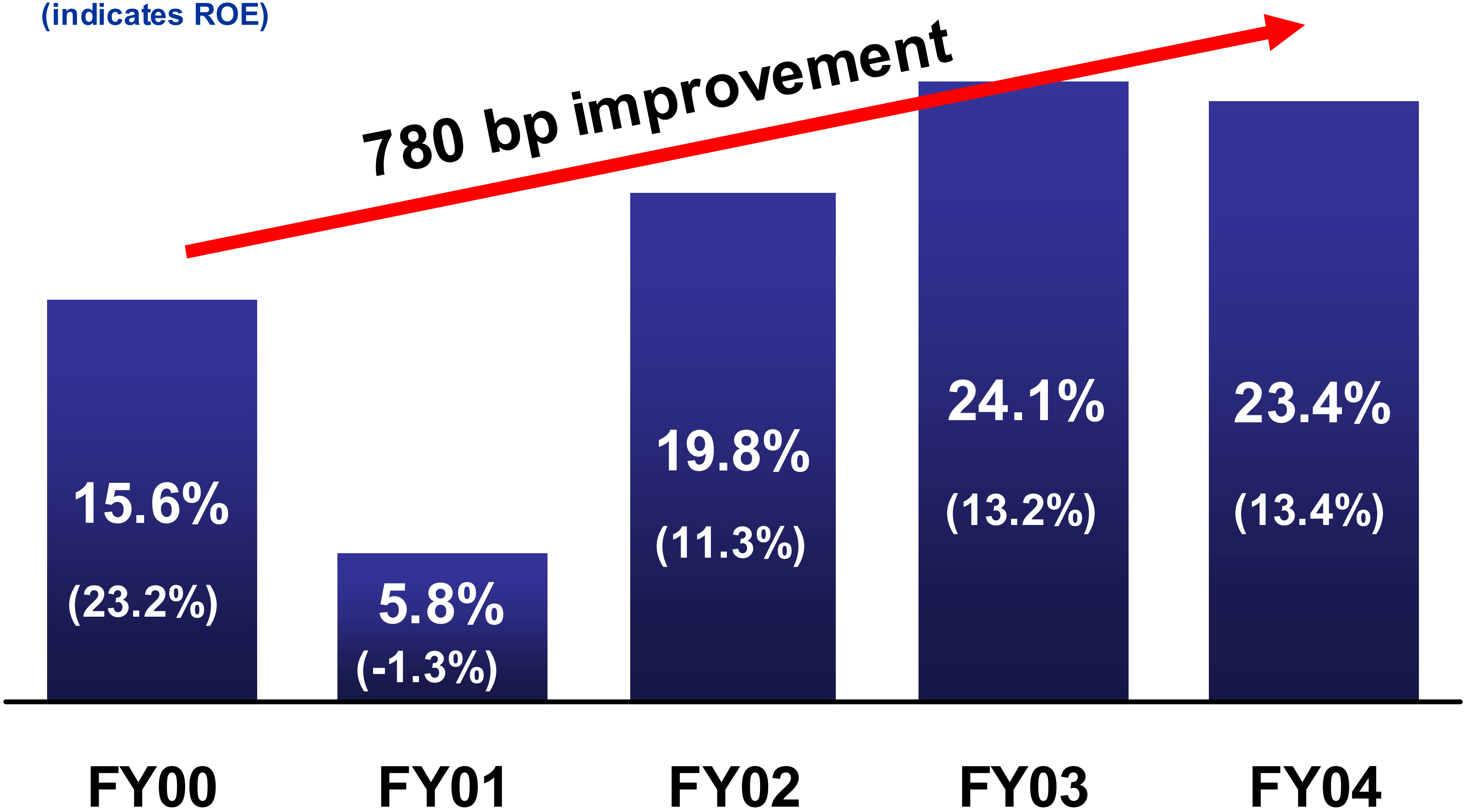
ROCC

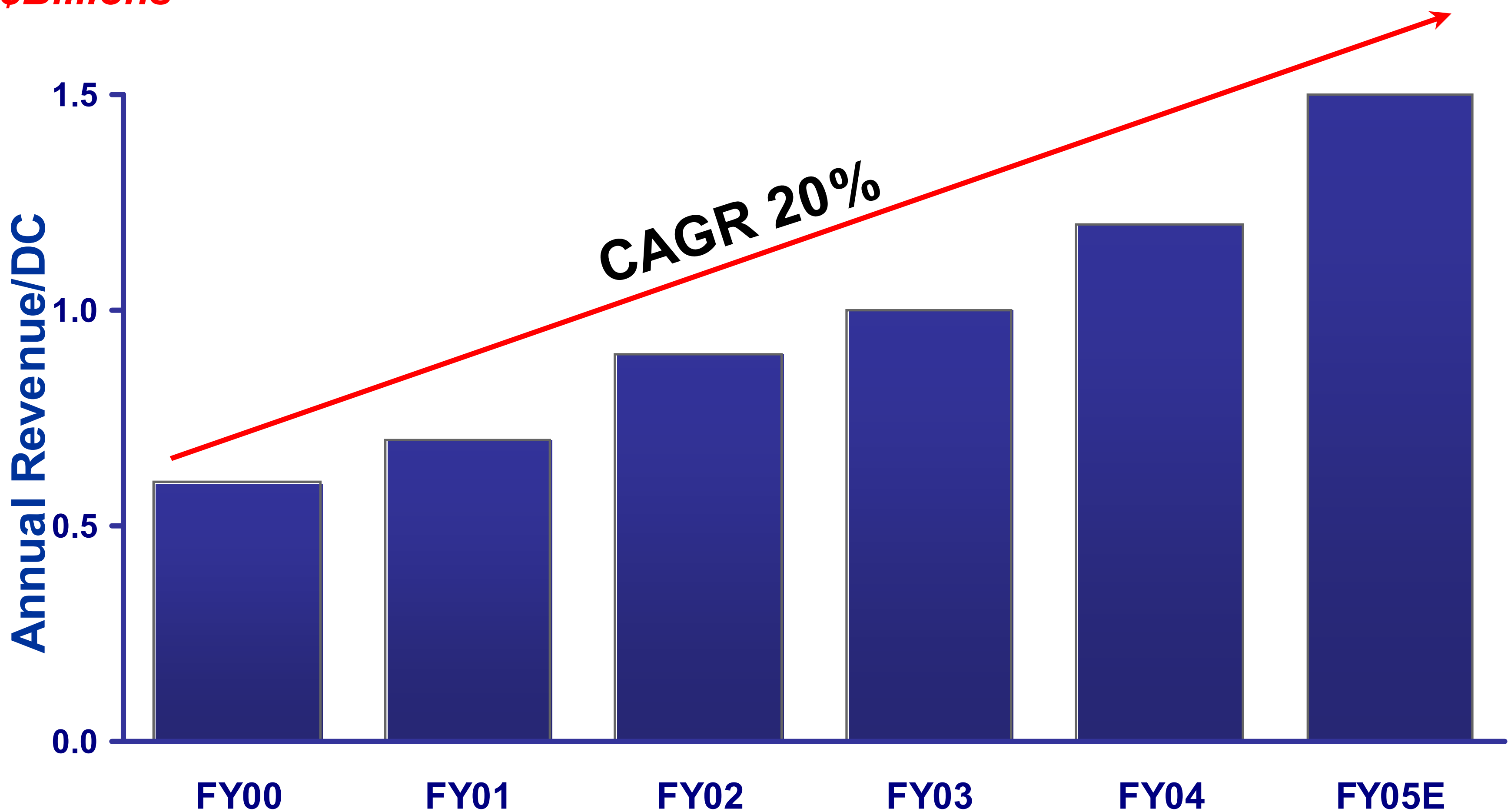
(indicates ROE)



Note: ROCC reconciliation on McKesson.com

Distribution Center Productivity Increases Continue . . .

$Billions



Note: U.S. Pharmaceutical direct revenue excluding Alaska and Hawaii

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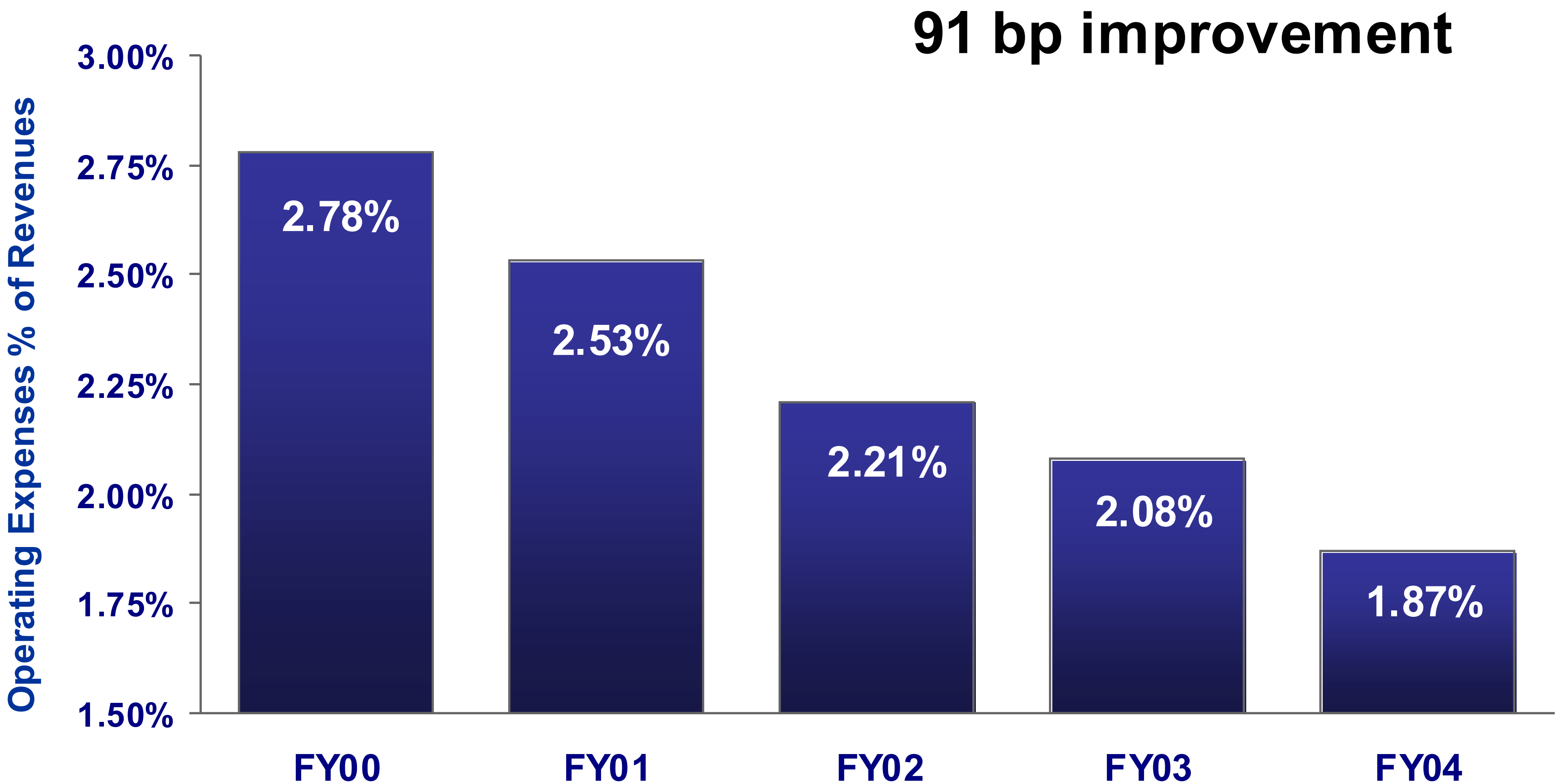
. . . Providing Operating Leverage . . .



Note: Pharmaceutical Solutions segment expenses

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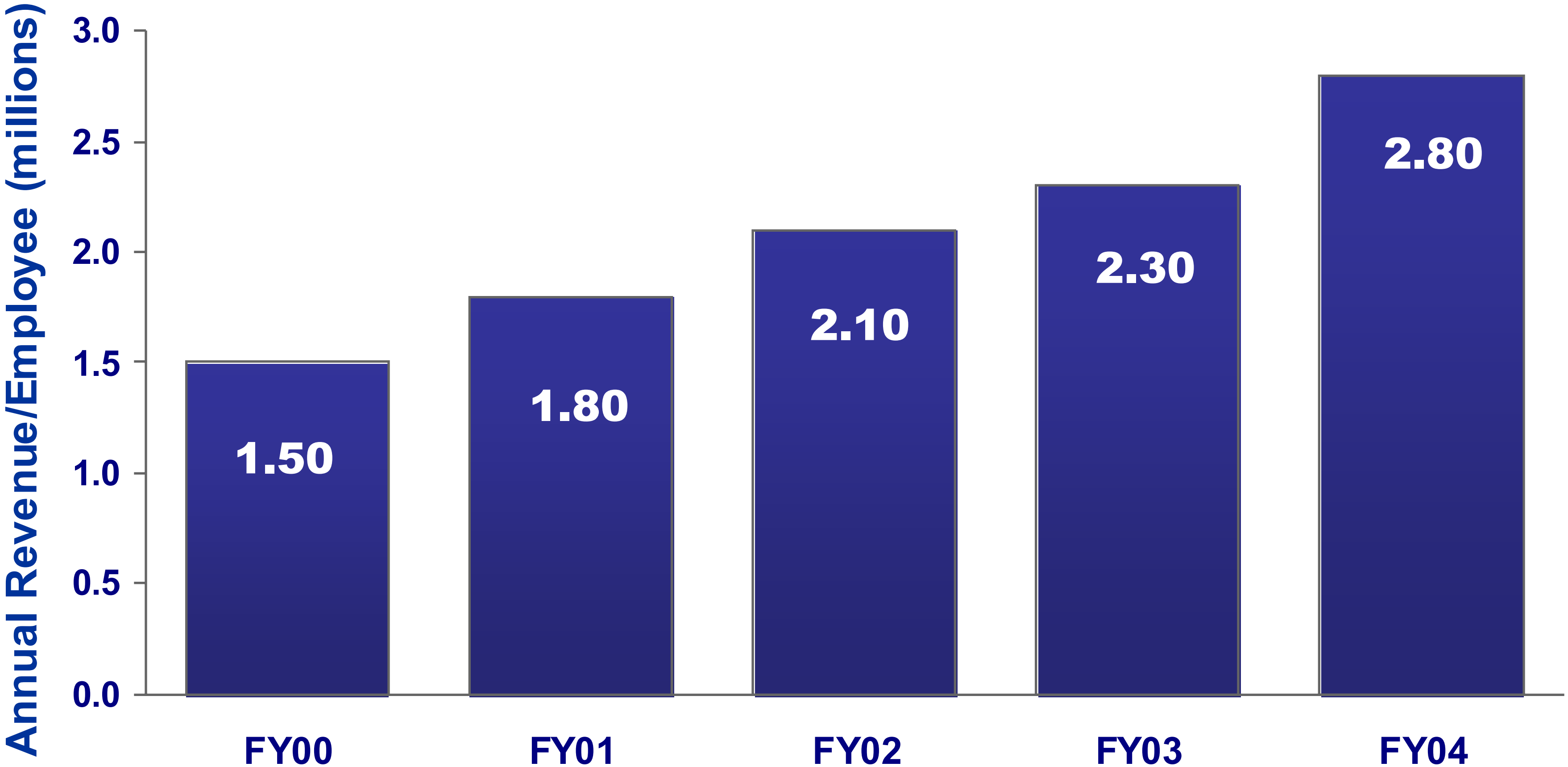
. . . while Leveraging our Internal Resources



Note: Total company revenues and employees

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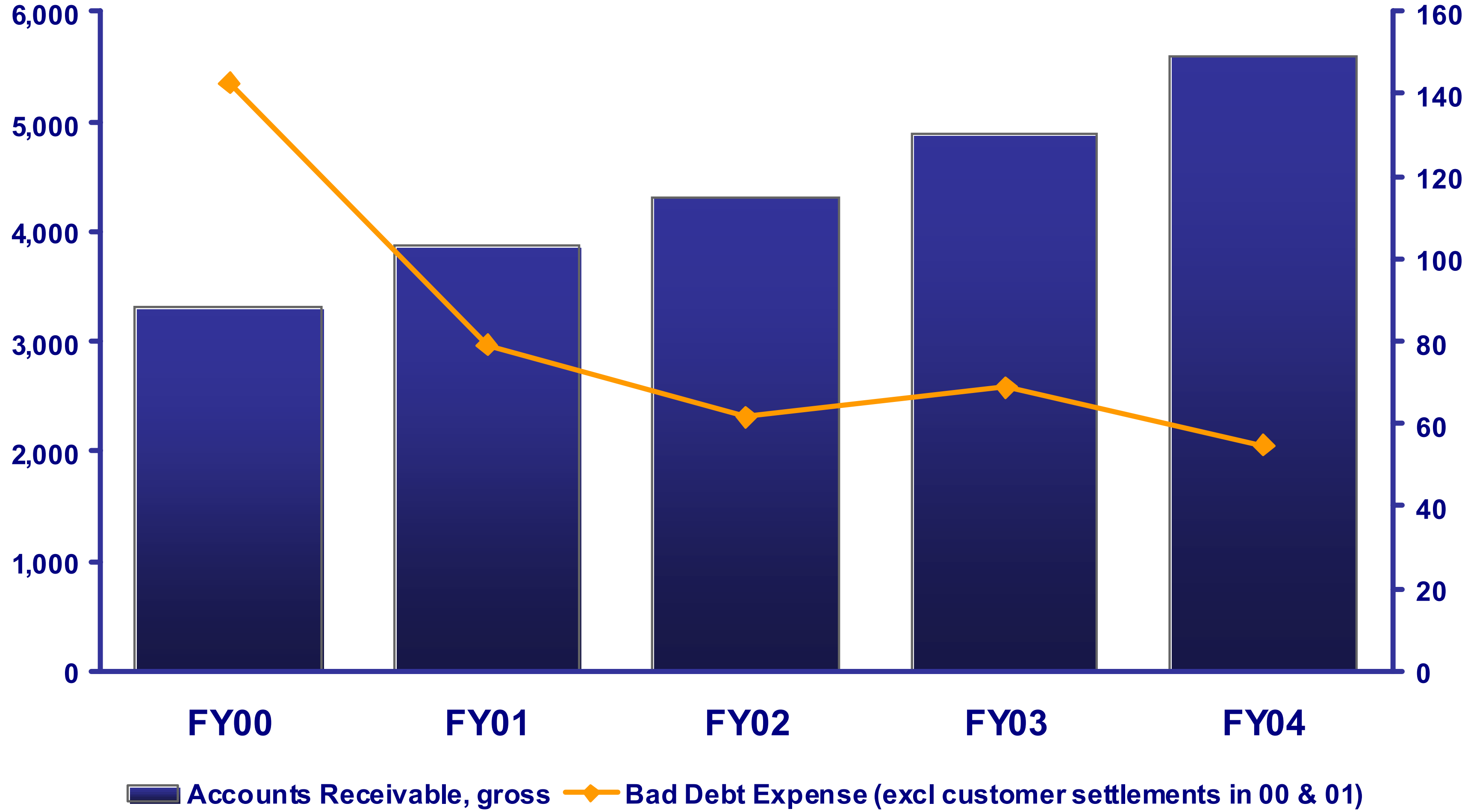
Bad Debt Expense

$Millions



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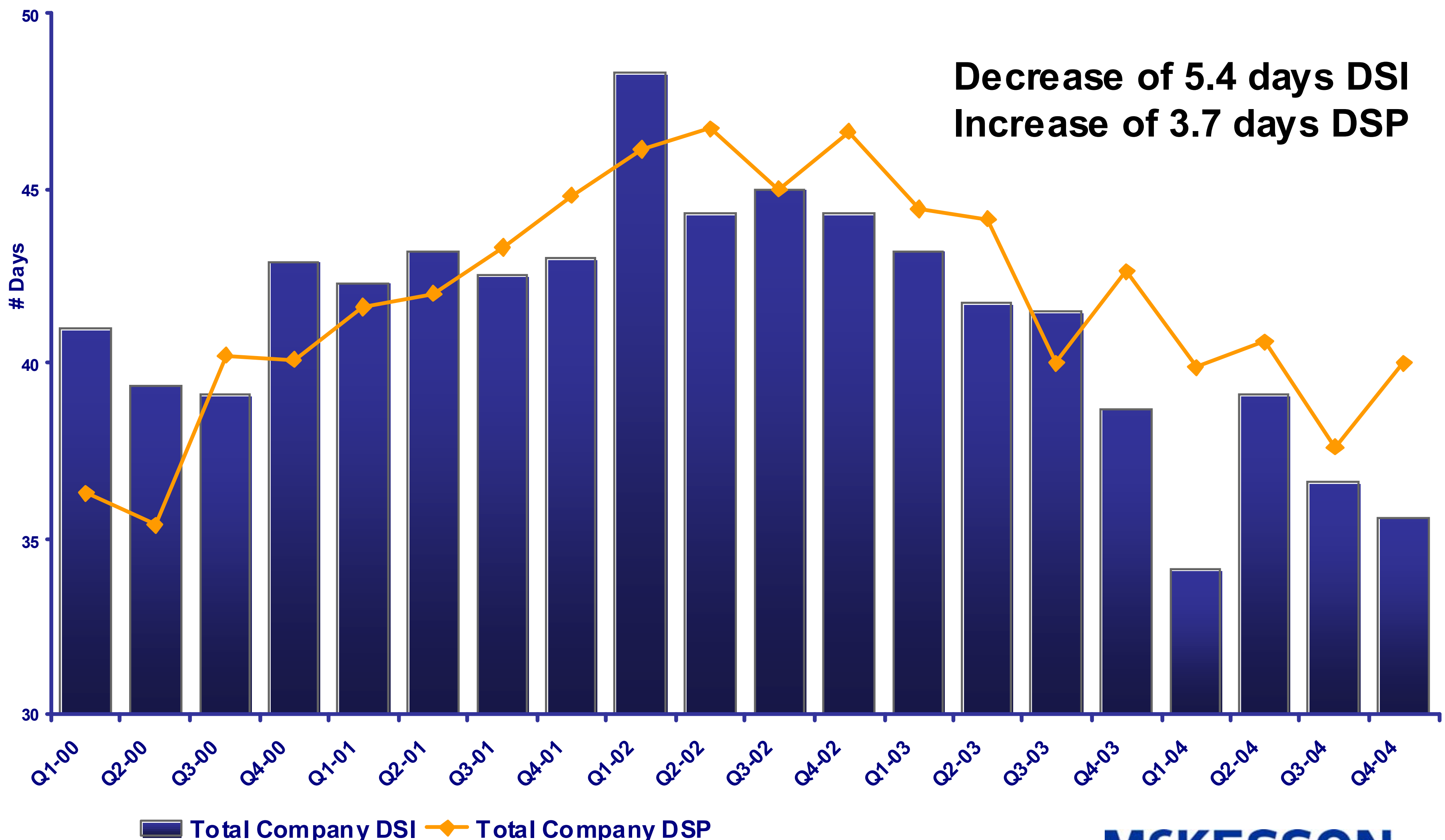
DSI/ DSP Trends



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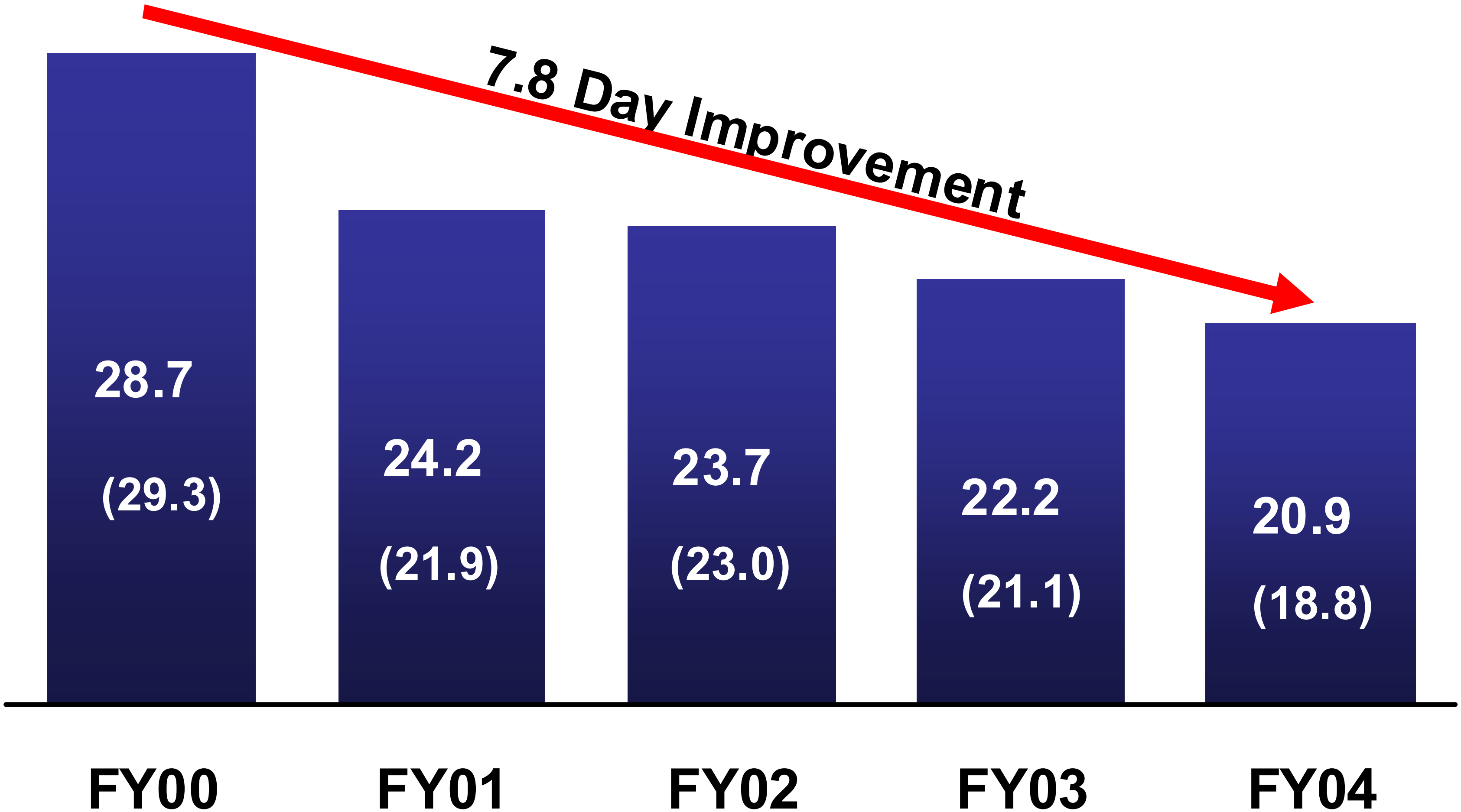
Operating Working Capital Days

(indicates working capital days)



(AR + Inventory – AP – Deferred Revenue)

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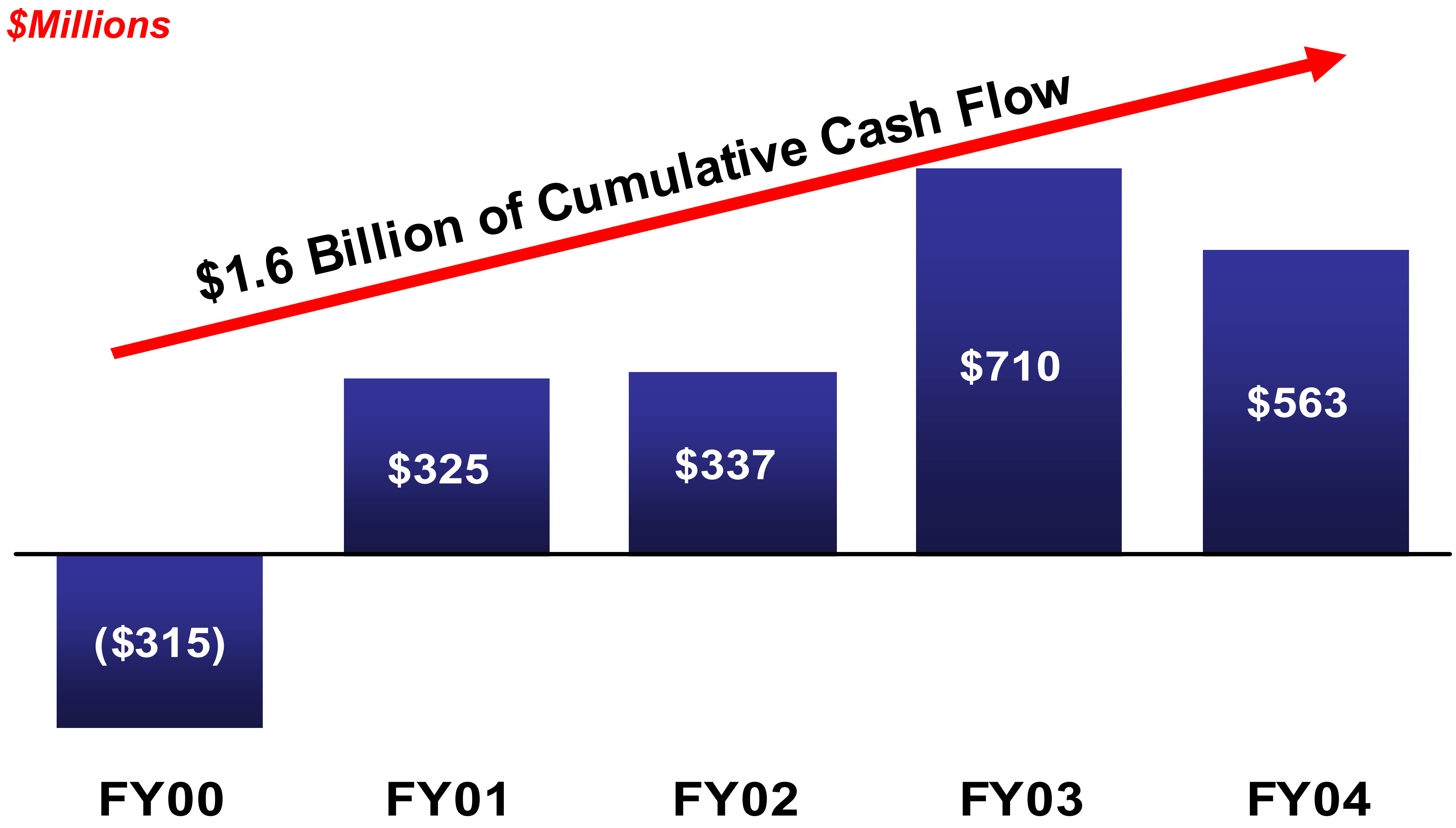
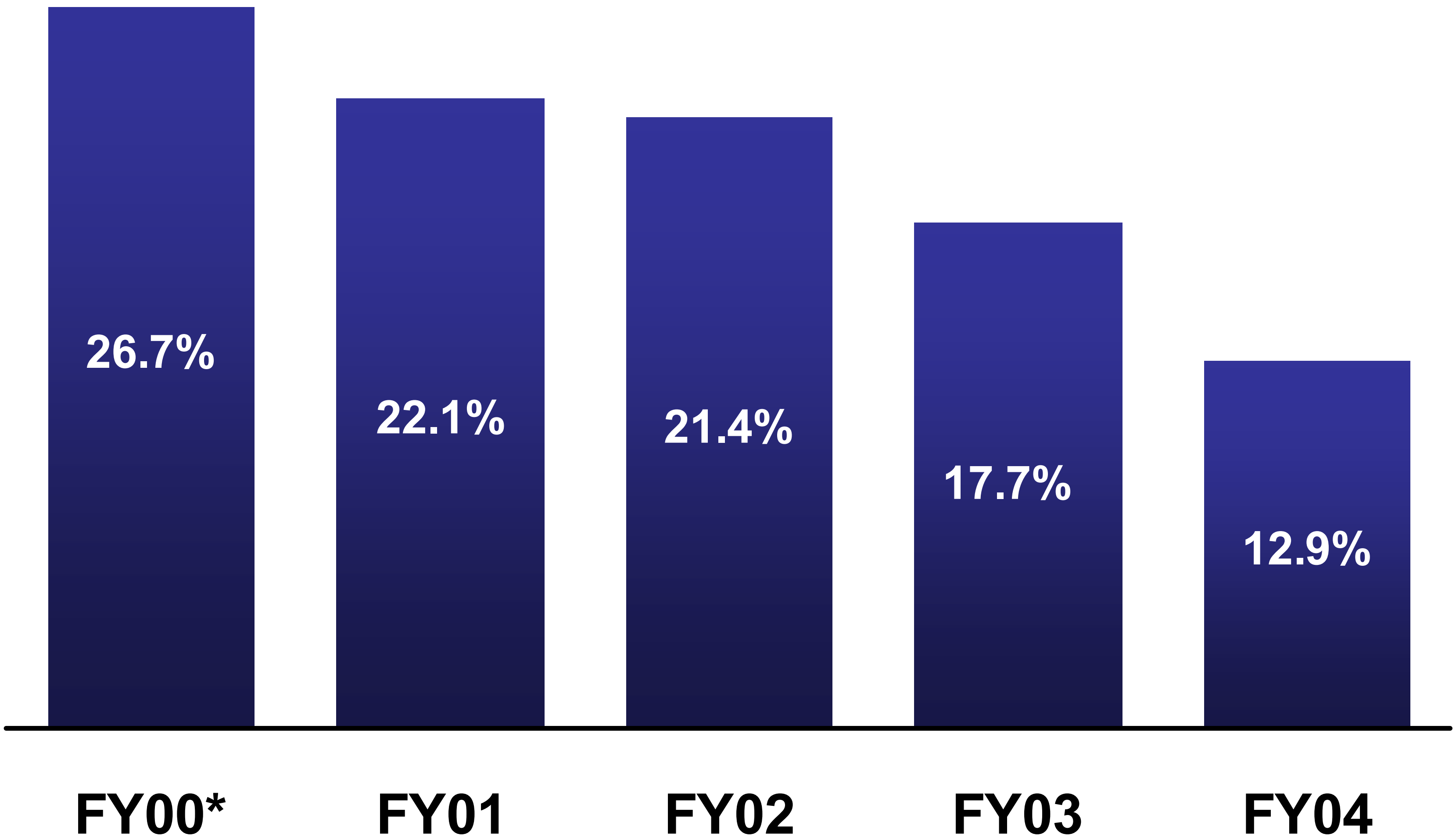
Cash Flow from Operations



Net Debt to Net Capital



*12/31/99 prior to sale of Water Company

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Strong balance sheet

- Long term debt at record low
- Short-term liquidity strong
  - Receivables facility of $1.4 billion
  - Credit facilities of $1.2 billion
- Balanced use of share repurchase

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Financial Reporting and Communications

Financial Reporting & Communications

- GAAP reporting focus
- Range of EPS guidance with key drivers noted
- Extensive disclosure in public filings
- Informative additional communications
- Access

Financial Review

Summary

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So what should today demonstrate?

A McKesson with a …

- Strong track record of financial performance
- Core pharmaceutical business positioned for growth with a strategy in place addressing industry changes
- Stable of higher margin businesses poised to take advantage of the evolution of healthcare
- Growing cash flow
- Strong balance sheet providing flexibility
- Commitment to financial transparency

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NATIONAL ACCOUNTS PANEL

National Accounts Panel

Paul Julian	EVP and Group President
John Figueroa	President, Retail National Accounts
Pat Blake	President, Customer Operations
Mark Sakaniwa	President, McKesson APS

Guest Panelist

Mary Sammons	President and CEO Rite Aid

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Paul Julian

EVP and Group President

Retail Pharmacy Pressures

- Slowed top-line growth
- Pharmacist shortage
- Workflow management challenges
- Spike in complex therapeutic drugs
- Distributive and administrative tasks
- Front-end management
- Third-party managed care plans
- CMS Card
- Mail order competition
- Direct-to-Consumer advertising
- Importation
- Patient safety
- E-Prescribing

Pressure on Profitability

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Strategic offerings help drive our customers' success

Economic Drivers	McKesson Support
• Supply chain management	– RDC, DC network – OneStop Generics – Packaging solutions
• Operating efficiency	– Automation and pharmacy systems – Supply management technologies (e.g., CLD, SMO)
• Demand management	– Verispan Vector One: Consumer Analytics (VOCA) – Specialty network
• Front-end support	– Private brand, home healthcare – Merchandising and planogramming
• Public policy	– Medicare drug legislation and CMS card – Importation and medication safety – E-prescribing

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Industry Leading Performance Metrics

- Fully integrated Distribution Center Network
  - National Redistribution Center & 30 U.S. DCs
  - 65,000 Rx & OTC SKUs
  - 24,000 daily deliveries via 51 couriers
- Tremendous volume of transactions processed
  - 1.4M customer orders processed monthly
  - 1.7M invoices produced monthly
  - $375M of pharmaceuticals & OTC product purchased daily
- Superior service levels and pricing accuracy
  - 93+% raw service level – industry leading
  - 99.96% picking accuracy
  - 0.26% invoice pricing discrepancy rate vs. 0.7% industry average
- Centralized ServiceFirst call centers
  - Over 7M calls handled annually
  - Most accessible Support Center in the Industry*

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* Based on Purdue University's Benchmark Portal Research

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Mary Sammons

President and CEO

RITE AID

McKESSON

McKESSON

Em Healthcare

RITE AID

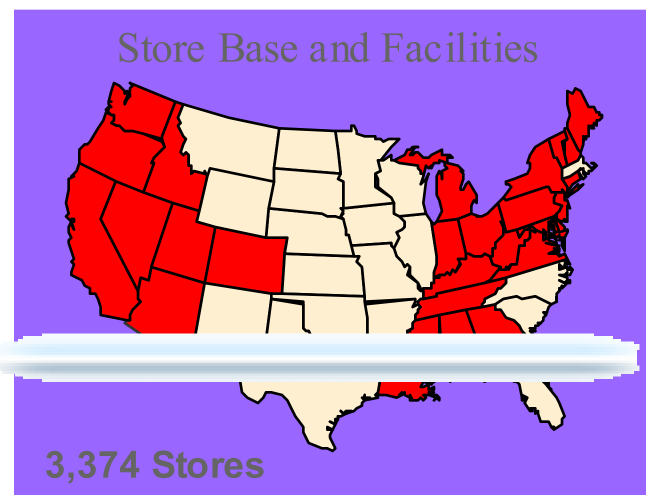
PHARMACY

With us, it's personal.

A Valuable Partnership

Rite Aid Overview

- **Third largest US drugstore chain**
  - Approximately 25% of all US households visit Rite Aid at least once a year[(1)]
  - 3,374 stores in 28 states and District of Columbia
- **$16.6 billion in FY2004 revenues**
  - Over 200 million prescriptions filled per year
- **Store base is well positioned**
  - First or second market position in 57% of top 151 markets
- **Modern distribution network**
- **Leading pharmacy technology**



(1) A.C. Nielsen Homescan

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Rite Aid Overview

- **Successful operational and financial turnaround**
  - **Reversed declining front-end sales…now an industry leader in comps**
  - **Increased adjusted EBITDA almost 300% to $722 million**
  - **Earned $83.3 million in net income in fiscal 2004**
- **Opportunity for continued sales and earnings growth**
  - **Strong industry fundamentals**
  - **Well-positioned store base with good market presence in key markets**
  - **Continued operational improvements**
  - **Opportunity to grow store base in key markets**
  - **Growing pharmacy sales #1 priority**

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Collaboration

- Brand drug purchasing
  - McKesson supplies brand drugs to Rite Aid's warehouses and daily delivery to our stores
  - Our new agreement was completed in December, 2004
- Generic drug purchasing
  - McKesson collaborates with Rite Aid to identify generic drug purchasing opportunities
- Repackaged product
  - McKesson's RxPak division supplies repackaged product to Rite Aid

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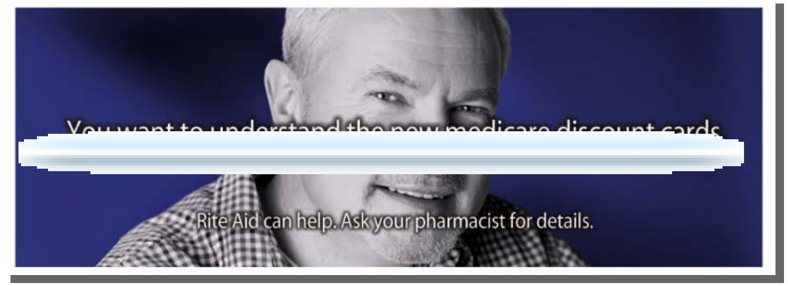
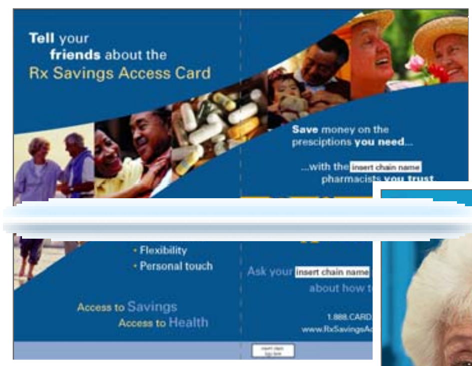
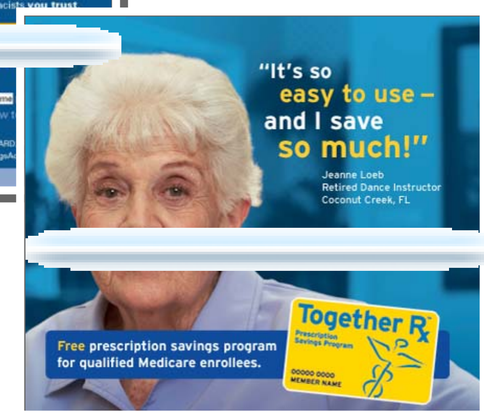
Collaboration

- Medicare approved discount card
  - Rx Savings Access Card
  - Rite Aid branding opportunity
  - CBO estimates that over 7 million seniors will use a discount card
  - Effective from now until December 31, 2005
- Together Rx
  - McKesson a leader in industry effort to make prescriptions more affordable for seniors







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Collaboration

- **Technology**
  - **Rite Aid is finalizing a test of McKesson's *Accuscript* complete automation solution**
  - **Developing a pilot program for *Accumed* prescription counting solution**
- **Specialty pharmacy**
  - **Developed a unique retail-based specialty pharmacy offering**
  - **Combines Rite Aid and McKesson's strengths**

Collaboration

- Quality improvement solutions
  - Rite Aid was invited to adopt Six Sigma techniques in 2001 to improve supply chain efficiencies
  - 7 Six Sigma projects were completed in 2003 with a value of $4.4M to Rite Aid

Partnership Value

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- McKesson plays a valuable role in Rite Aid's success story and helps support our growth strategy
- A comprehensive offering of products and services provides a platform for collaboration
- McKesson's executive commitment to customers and a strong customer service team differentiate McKesson
- Rite Aid values McKesson as a supplier of both products and business knowledge and insight

RITE AID
PHARMACY

With us, it's approaching every aspect of our business from a personal standpoint and always holding strong to that vision

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HOSPITAL & HEALTH SYSTEMS PANEL

Hospital & Health Systems Panel

Pam Pure	EVP and President, McKesson Provider Technologies
Jeff Felton	SVP, Health Systems National Accounts, McKesson Pharmaceutical
Gary Muensterman	President, McKesson Medical-Surgical
Mary Beth Navarra	VP, Patient Safety

Guest Panelists

Steve Stanic	VP, Information Systems/CIO Memorial Health University Medical Center
Joe Ness	VP, Ancillary & Support Services Southwest Washington Medical Center

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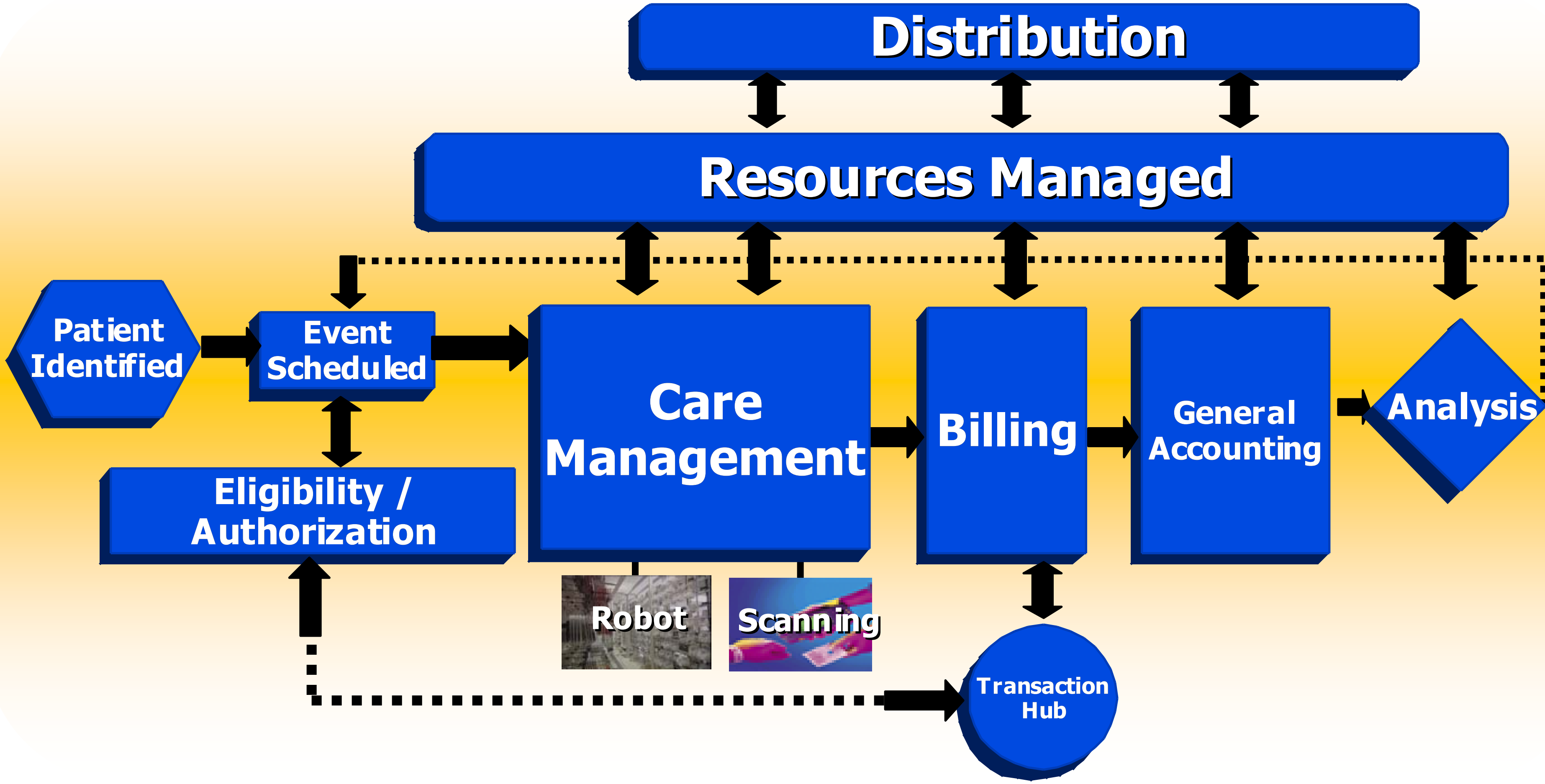
Pam Pure

EVP and President

McKesson Provider Technologies

McKesson Differentiation
Automating the Entire Care Delivery Process



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McKesson Provider Technologies

- Brings together core McKesson assets for provider market
- Accelerate One McKesson strategy, products and service offerings
- Integrated customer management
- Clear differentiation as the undisputed leader in patient safety
- Innovation and "first-mover" opportunities
  - Patient strategy
  - Telehealth
  - New "ologies"
  - ePrescribing
  - Department automation and robotics

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Deliver Horizon Clinicals

- Accelerate deployment of Horizon Expert Orders
- Accelerate deployment of Horizon Emergency Care
- Increased focus on Horizon Ambulatory Care and e-Prescribing
- Accelerate rollout of Horizon Expert Documentation

Results: Memorial Health System

Memorial
Health Partners

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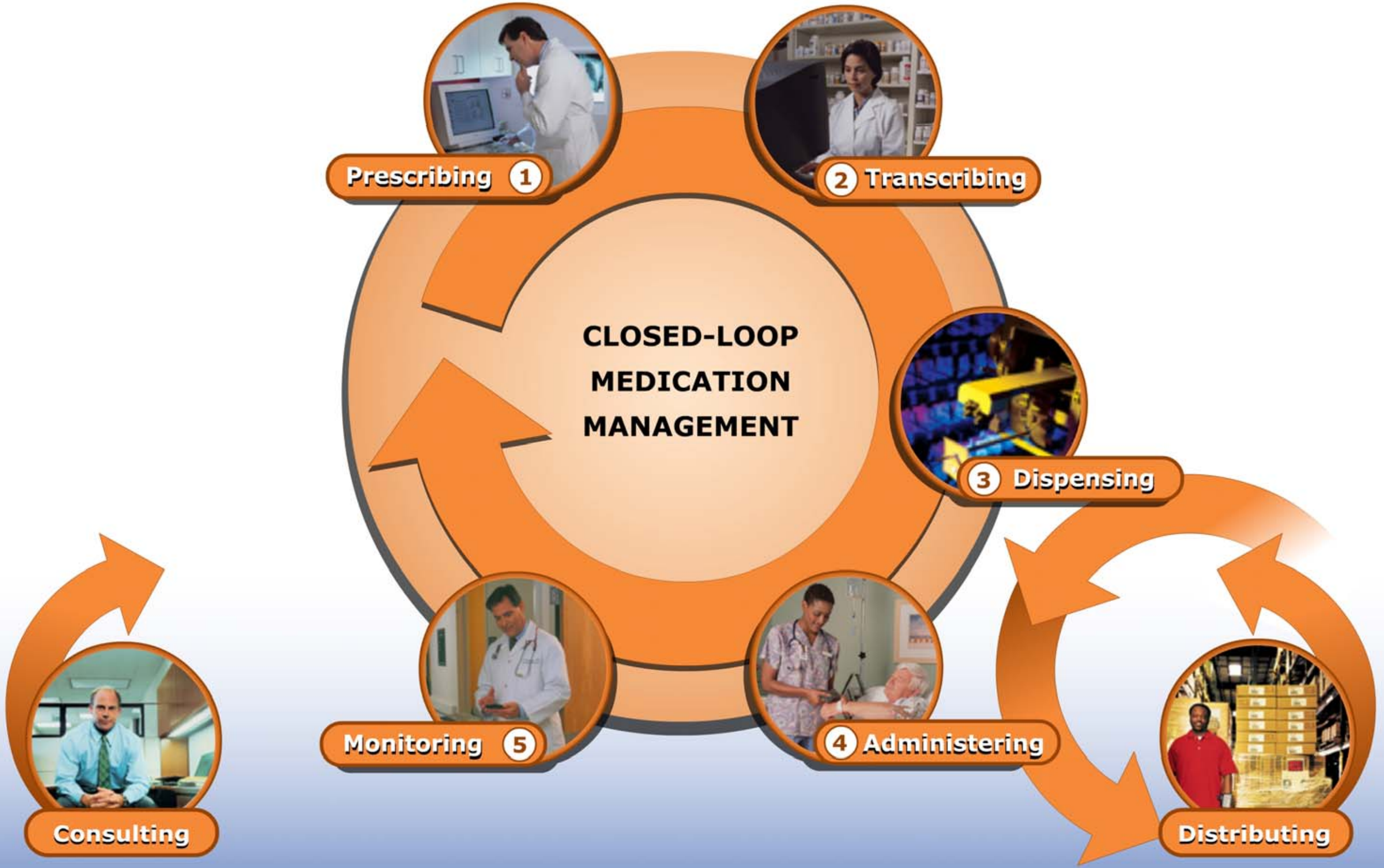
Medication Safety



Establish Undisputed Leadership in Medication Safety

- Accelerate rollout of Admin-RX
- "Smart-start" installation and connectivity model
- Lower-cost platform
- Integrated with Horizon Clinicals
- Connected to Automation
- Focused marketing strategy

Results: Presbyterian Health Services

PRESBYTERIAN

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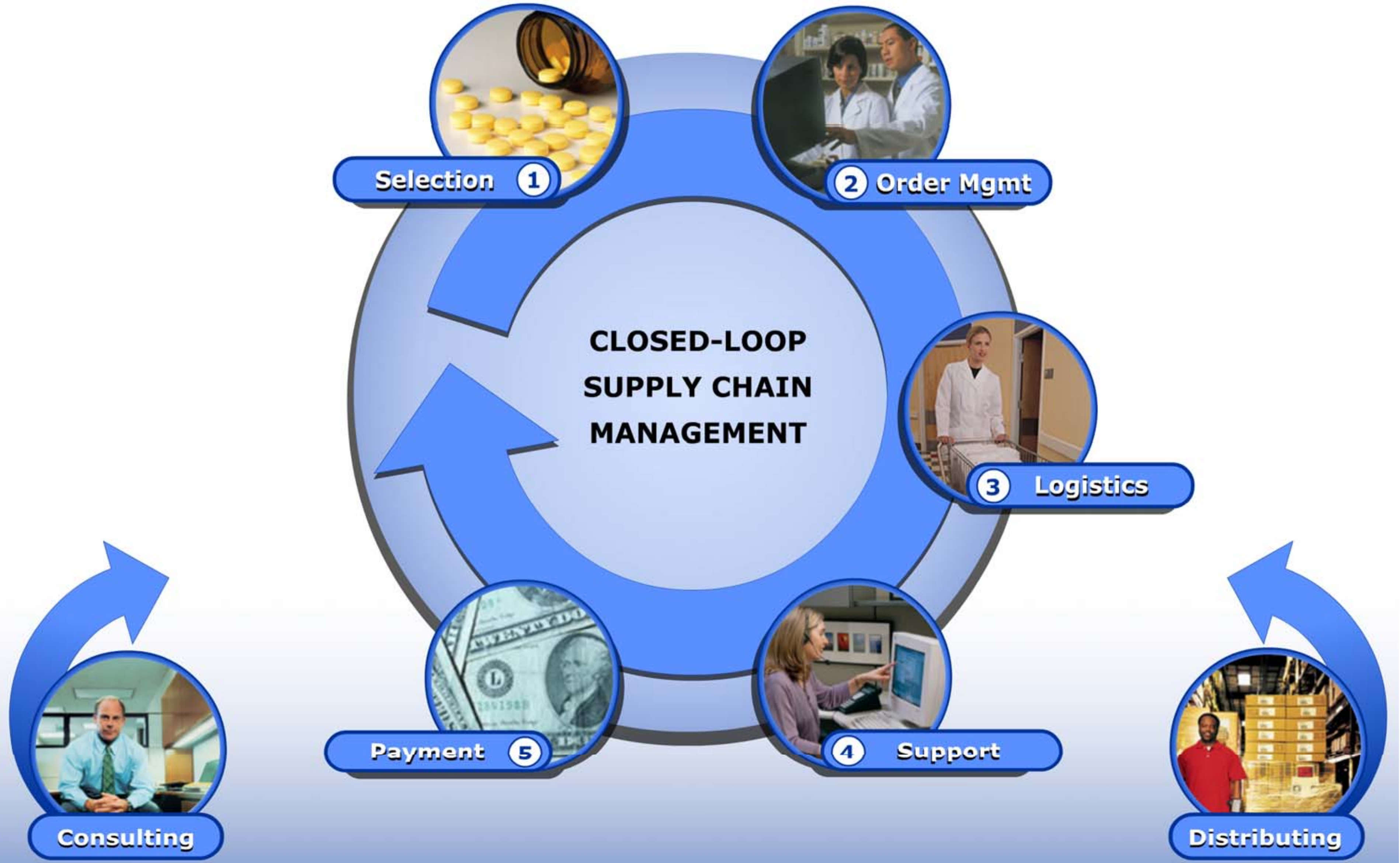
Supply Chain Management



Drive Operational Excellence Through the Supply Chain

- Deploy real-time perpetual inventory system
- Unique service offering to modernize OR supply chain
- Normalize medical product data for transparency
- Install contract management and compliance solutions

Results: Spartanburg Regional Healthcare System

SPARTANBURG
Regional Healthcare System

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Steve Stanic

VP of Information Systems and CIO

MEMORIAL HEALTH UNIVERSITY MEDICAL CENTER

Memorial Health Profile

Memorial HEALTH PARTNERS

- Three Hospitals
  - 600 bed Medical Center – Savannah, Georgia
  - Two small, rural hospitals
  - Servicing 50% of Savannah & 50% of rural Georgia & South Carolina
- Largest integrated delivery system in Southeast Georgia
- Teaching Program
- Four thousand employees
- Various awards as “Best Hospital” for clinical operations
  - J. D. Power Award for Excellent Patient Experience
  - “100 Most Wired” Health Systems four years in a row
  - Fortune “100 Best Places to Work” winner
- Financial Operations
  - $550 M of net revenue

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Why McKesson?

Memorial
Health Partners

- Over the last 5 years, we have spent over $15 M on information technology
- Our mission was simple – improve the quality of care, and drive revenue to the bottom line
- To do this, we knew we needed a strategic partner, we chose McKesson

McKESSON
Empowering Healthcare

Why McKesson . . .

Memorial
Health Partners

One Company,
One point of contact

Offers solutions across business lines

MCKESSON
Empowering Healthcare

One partner with many solutions

Stable,
Visionary
Cutting Edge Solutions

Understands Healthcare
Clinical
Financial

MCKESSON
Empowering Healthcare

Return on Our Investment

Memorial Health Partners

- ROI cannot only be measured in dollars and cents, you need to look at
  - Quality
  - Process improvement
  - Revenue generation
  - Cost reduction
- You cannot minimize the process change that takes place

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Quality …

Memorial
Health Partners

- Through adoption of Electronic Medical Record, Clinical Data Repository and Picture Archiving Communication System (PACS), clinicians now have:
  - Access to 98% of all available clinical information
  - Alerts that check allergies and adverse medication reactions
  - Access to this information anytime anywhere
- 75% reduction in sentinel events
- $10M in savings due to our technology implementation coupled with our Error Prevention Program
- Streamlined order entry process process for nurses and physicians with clinical decision support on the front end of the order process

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Cost Reduction and Revenue Improvement

Memorial Health Partners

- Contract Management System
  - Generated nearly $2M in incremental revenue
- Denial Management System
  - Adjudicated $3.75M in denials in the first year
- Physician Portal
  - 35% increase in physician referrals
- PACS
  - Savings of $850K per year due to eliminated film in radiology
- PACS and Electronic Medical Record
  - Annual salary savings of $805K

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Joe Ness

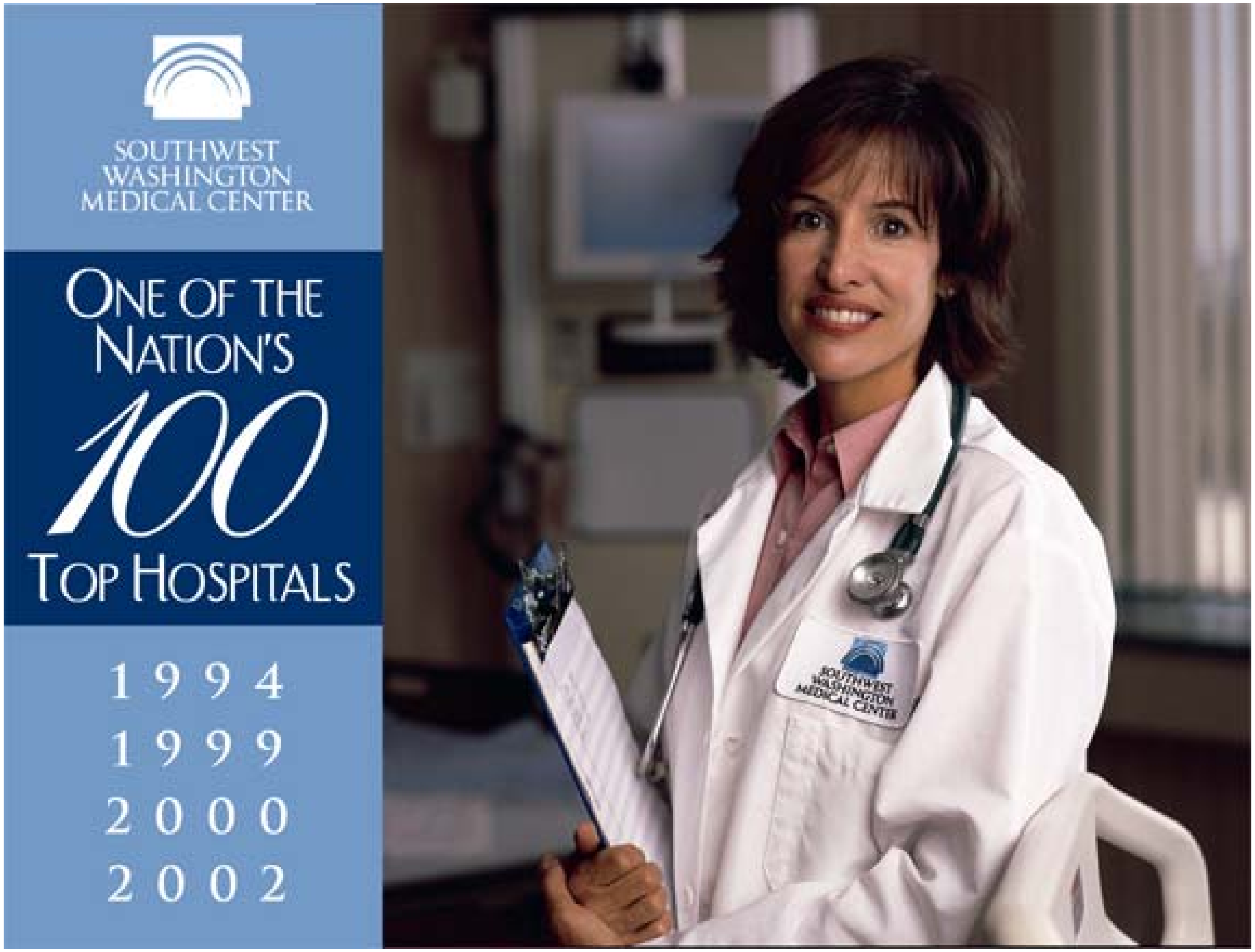
VP of Ancillary & Support Services

SOUTHWEST WASHINGTON MEDICAL CENTER

The health care leader in Clark County since 1858

- Not-for-profit regional medical center with 442 licensed beds
- Part of the greater Portland, OR metropolitan area
  - third largest hospital by volume
- 26,294 inpatient admissions
- 3.85 days average length of stay
- 113,767 emergency care visits annually
- 32 medical specialty services and programs
- 520 active medical staff, 3200 employees
  - largest employer in Clark County

Nationally Recognized Quality



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Scope of Services – Primary Care

Healthy Steps

Family Practice Residency Program

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Scope of Services – Emergency and Trauma

- Sophisticated, high volume Emergency Department
- Only Level II Trauma Center in region
- Designated Trauma Center by OR and WA

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Scope of Services – Maternity

- 50-bed birthing center
- 10 – bed level 2A nursery
- 4800 births annually
- Second largest birth center in both WA and OR

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Committed to Growth and Expansion

2004

- **Hospice House – $3.1 M**
- **Child Care Facility – $2.0 M**

2004 – 2006

- **Expansion - $140 M**
- **Capital projects - $400 M**

McKesson Partnership

- MPT – Clinical Information system
- AdminRx – Medication Safety
- Applied Decision – Outcome Advisor, DS Pathfinder
- Care Enhance Review Manager

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McKesson Partnership

- Clinical Browser – Physician access, clinical results viewing
- ESI – Surgical scheduling
- Medifax – Insurance eligibility verification
- Trendstar
- Pharmacy Distribution & Asset Management
- Currently in Negotiation
  - Horizon Clinical suite
  - Med/Surg Distribution

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MANUFACTURER PANEL

Manufacturer Panel

Heidi Yodowitz	CFO, SVP, Finance, Pharmaceutical Solutions
Paul Julian	Group President, Pharmaceutical Solutions
Greg Yonko	SVP, Purchasing & Branded Rx Product Mgmt
Jeff Herzfeld	SVP, Pharmaceutical Product Management

Guest Panelists

John Gray	President & CEO Healthcare Distribution Management Assoc.
Ken Murtha	VP of Operations AstraZeneca
Bruce Downey	Chairman & CEO Barr Pharmaceuticals

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Heidi Yodowitz

CFO
Senior Vice President, Finance

Pharmaceutical Solutions

Evolving Manufacturer Dynamics

Branded manufacturers facing increasing scrutiny for wholesaler opportunities

Distributors find limited buying opportunities

Speculative buying is curtailed requiring new agreements for distributor compensation

Counterfeit drugs & patient safety concerns force manufacturers to limit supply to secondary market

Discounted product not readily available to distributors on the secondary market

Evolving Manufacturer Dynamics

Distribution channels becoming increasingly complex, far-reaching and difficult to replicate

Manufacturer/distributor partnerships must continue to evolve

Distributor must be compensated appropriately for core and value-added services

Increasing momentum for legislation: drug importation, price controls, AWP, ASP

Manufacturer and distributor need to coordinate legislative efforts and collaborate to streamline supply chain

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Evolving Manufacturer Dynamics

Growth in specialty pharma: costly, complex to distribute, patient issues

Ability to distribute to physicians and patients a necessity

Requires patient support services

Strong pipeline of generics

Competition for market share provides wholesaler opportunities

Branded blockbusters facing generic competition

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John Gray

President and CEO

HEALTHCARE DISTRIBUTION
MANAGEMENT ASSOCIATION

Who Is HDMA?

Since 1876, HDMA has been the voice of the nation’s pharmaceutical distributors.

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Who Is HDMA?

HDMA

Since 1876, HDMA has been the voice of the nation's pharmaceutical distributors.

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Who Is HDMA?

- HDMA represents full-service distributors; national, regional, and specialty
- HDMA members operate distribution centers serving every state / territory
- HDMA members offer value-added services that ensure safe and timely delivery of healthcare products to healthcare providers

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Who Is HDMA?

HDMA members deliver healthcare.
They provide quality solutions that remove costs from our healthcare system and empower providers to deliver care more effectively.

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What Does HDMA Do?

HDMA

- Advocacy
  - Government Relations
    - Federal
    - Regulatory
    - State
  - Industry Relations
    - Voluntary Guidelines & Standards
    - Logistics / Technology
- Education & Research

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Distribution Supply Chain

Distributors deliver value to manufacturers AND customers.

They are the vital link in healthcare delivery.

Value Added Services Provided by Distributors

Provider Services:

- Aggregate ordering and shipments
- Emergency, just in time, next day/same day delivery
- Low unit of measure service
- Inventory management systems (bar coding, stickering, shelf labeling, electronic order entry)
- High service levels – 98%
- Repackaging and relabeling
- Special handling for controlled substances, biologics, frozen products, etc.
- Single point customer service support
- Process returns and recalls
- Custom stocking based on specific needs, reduced inventory
- Reimbursement services, claims processing
- Compliance with federal and state requirements
- Manufacturer product information
- Marketing programs/custom reports, materials, displays, promotions, sales/profit analysis, cooperative advertising, logo identity programs
- Generic sourcing programs
- Operations and clinical improvement services (prescription tracking, drug interaction software, invoicing)
- Automated order processing systems
- Planograms
- Continuing education and in-store training
- Patient compliance or refill reminder solutions
- Ensuring contract compliance
- Home care programs
- Private label products
- Protection against counterfeiting and tampering

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Value Added Services Provided by Distributors

Supplier Services:

- Provide efficient logistics - 200 ship points vs. 140,000 outlets
- Handle difficult SKUs – controlled substances, refrigerated, and biologics
- Handle $25 billion pharmaceutical inventories (more than 20,000 SKUs)
- Rapid distribution of new products at launch
- Handle customer service – 40 million calls / year
- Process manufacturer recalls, package destruction
- Reduce transactions via aggregate ordering and shipments
- Process returns – credit, logistics, and destruction
- Manage A/R / credit risk
- Maintain inventory and safety stock for emergency and JIT delivery
- Manage contracts and chargebacks
- Sales calls – 1.8 million pharmacy calls / year
- Contract management and compliance services
- Provide inventory and sales data
- New product promotions, awareness programs
- Regulatory compliance (federal and state)
- Protection against counterfeiting and tampering

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Ken Murtha

Vice President US Operations

ASTRAZENECA

Company Description

AstraZeneca

- AstraZeneca is a major international healthcare business engaged in the research, development, manufacture and marketing of prescription pharmaceuticals and the supply of healthcare services
- It is one of the largest pharmaceutical companies in the world with healthcare sales of over $18.8 billion and leading positions in sales of cardiovascular, gastrointestinal, oncology, anesthesia (including pain management), neuroscience and respiratory products
- In the United States, AstraZeneca is a $8.7 billion healthcare business with more than 11,000 employees. AstraZeneca is listed in the Dow Jones Sustainability Index (Global and European) as well as the FTSE4Good Index

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Strategy

AstraZeneca

- Commitment to creating shareholder value by delivering a flow of new medicines that meet the needs of patients and healthcare professionals worldwide
- Increase productivity and leverage creative energy of our global workforce to create a faster, more effective organization that will deliver top-tier financial performance
- Deliver new and differentiated medicines that meet the needs of patients and healthcare professionals worldwide
- Meet our business goals in a socially responsible manner

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Global Strengths

AstraZeneca

- 60,000 people working in 45 countries
- 6 Major R&D sites in the UK, US, and Sweden with joint Drug Discovery and Drug Development facilities
- 4 sites which focus only on Drug Discovery
- Over $14 million invested each working day in R&D

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AstraZeneca & McKesson

AstraZeneca

- Our relationship with McKesson pre-dates the AstraZeneca merger in 1999
- McKesson also participates in our new Inventory Management program
- McKesson Health Solutions acts as the administrator of the Together Rx Savings program of which AstraZeneca is a founding member
- McKesson Health Solutions has a CMS approved Medicare discount card, the “Rx Savings Access Card”, through which AstraZeneca offers savings to Medicare enrollees

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Bruce Downey

Chairman and CEO

BARR PHARMACEUTICALS


barr
Pharmaceuticals, Inc.
McKesson Analyst Day
June 17, 2004

Barr Business Structure

Barr Pharmaceuticals, Inc.

- Reincorporated from NY to Delaware corp.
- Administrative umbrella
- Shares trade under NYSE:BRL

Barr Laboratories, Inc.

Subsidiary

- Generic product R&D and manufacturing
- Proprietary product development support
- Generic & proprietary product manufacturing & distribution

Barr Research

Proprietary Product Organization

- Proprietary product identification and development
- Proprietary product clinical support

Duramed

Subsidiary

- Proprietary sales & marketing organization
- Proprietary product marketing trade name

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Key Marketed Proprietary Products

- SEASONALE extended-cycle oral contraceptive
- Plan B emergency contraceptive
- Cenestin (synthetic conjugated estrogens, A) tablets
- Aygestin (norethindrone acetate) tablets
- ViaSpan organ transplant preservation agent
- Trexall (methotrexate) tablets

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Marketed Generic Product Portfolio

- Currently market 70 unique generic products
  - 133 dosage forms
  - Leading generic TRx market share on over 50%
  - 13 single source products
- Female healthcare single largest therapeutic category
  - 23 products in total
  - 19 oral contraceptives

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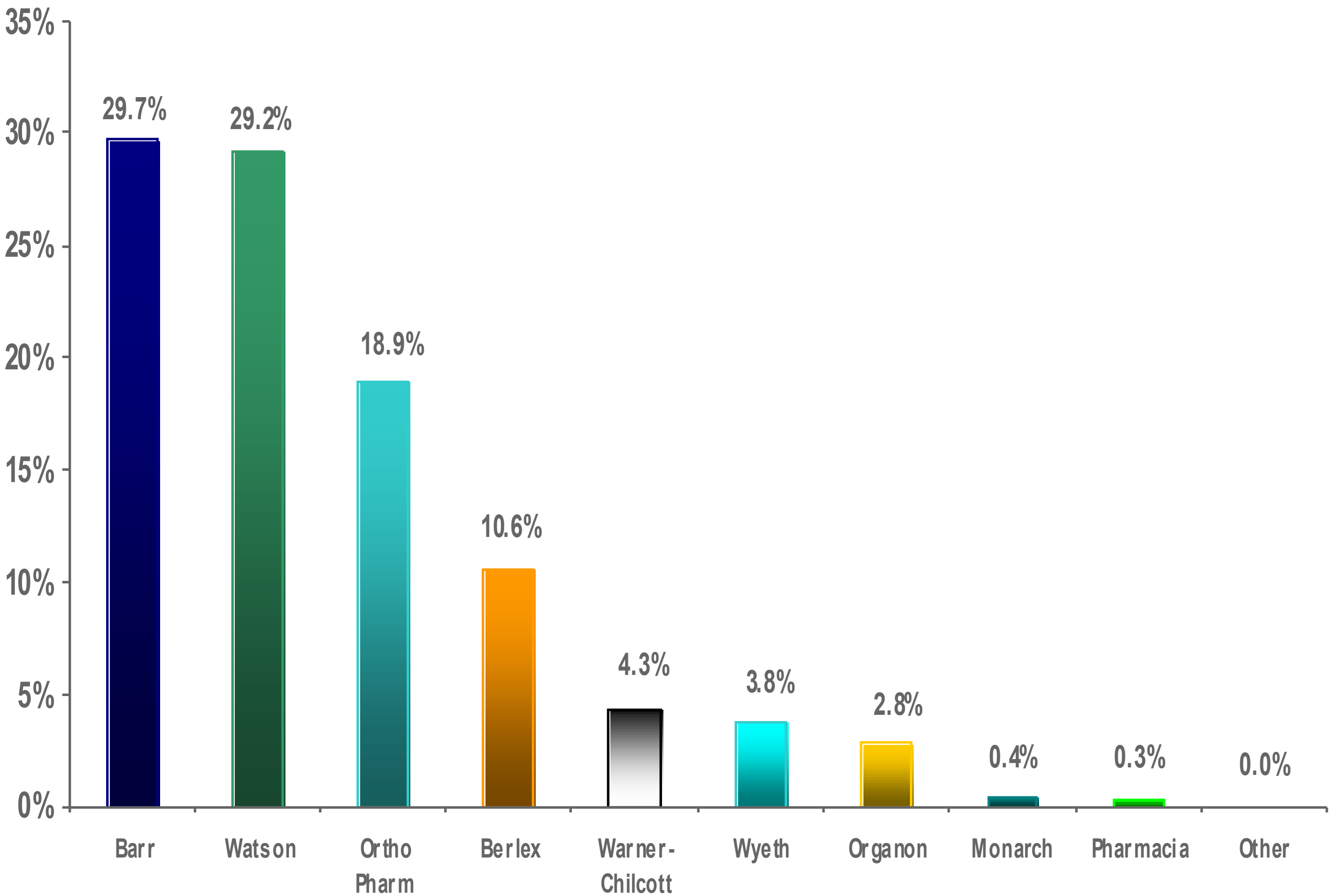
Barr is the Largest Supplier of OCs

TRx Market Share



Source IMS Health W/E 5/28/04

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Generic Product Development Status

- 29 applications pending at FDA
- Generic pipeline value: $9.4 billion
  - 8 Tentative approvals
  - 10 ANDAs are disclosed patent challenges
  - 4 ANDAs have intellectual property (IP) issues; no litigation pending
- 50 additional products in development
  - Tablets and capsules (35)
  - Other technologies (15)

Disclosed Patent Challenges

	Sales In Millions	Tent. Court Date
Allegra Products	**1,981**	**Mid-2005**
Niaspan (3 Strengths)	**290**	**Feb.-March 2005**
Evista	**719**	**August 2005**
DDAVP	**164**	**Fall 2004**
Adderall XR	**524**	**January 2006**
Provigil	**329**	**January 2005**
Prefest	**15**	**Early Stage**
Ortho Tri-Cyclen Lo	**151**	**Early Stage**
Total	$4,173	

Source: IMS Health Last Twelve Months Sales Ending Apr. '04

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Barr & McKesson

- Single largest customer
- Strong working relationship and trust
- Dedicated personnel to develop and complement new ideas

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Barr & McKesson

Innovative Initiatives

- Joint sales & marketing initiative to detail Barr’s products -- particularly OC franchise -- to independent retail pharmacies
  - Opportunity mutually beneficial to both parties
- Working together on Accenture RFID initiative
- McKesson team is innovative and challenges the normal boundaries of Barr’s business

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Radio Frequency Identification Program

- Barr, McKesson among participants
- Safe & secure supply chain
  - Compliance, security, consumer safety, manage shrinkage, prevent counterfeits
  - Streamlined reverse logistics
    - Expiration date management, lot & batch tracking, returns management, recall expediting
  - Fulfillment accuracy
    - Shipping, receiving accuracy; operational productivity gains

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PAYOR PANEL

Payor Panel

Emad Rizk	President, McKesson Medical Management
Marc Owen	EVP, Corporate Strategy & Business Development
Carolyn Staudenmeier	SVP & General Manager, Clinical Auditing & Compliance Division

Guest Panelists

Robyn Speak Walsh	SVP, Head of Workers' Comp Access Aetna
Rica Lewis-Payton	Former Executive Director State of Mississippi Division of Medicaid

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Emad Rizk

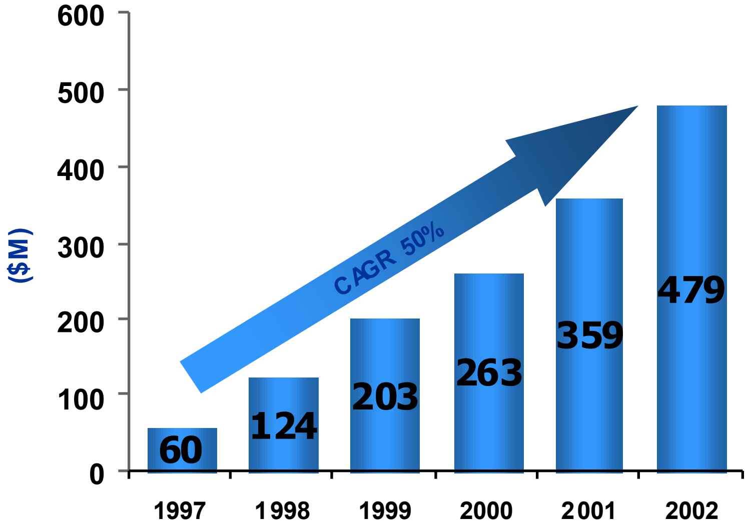
President

McKesson Medical Management

Rapid Growth of Disease Management

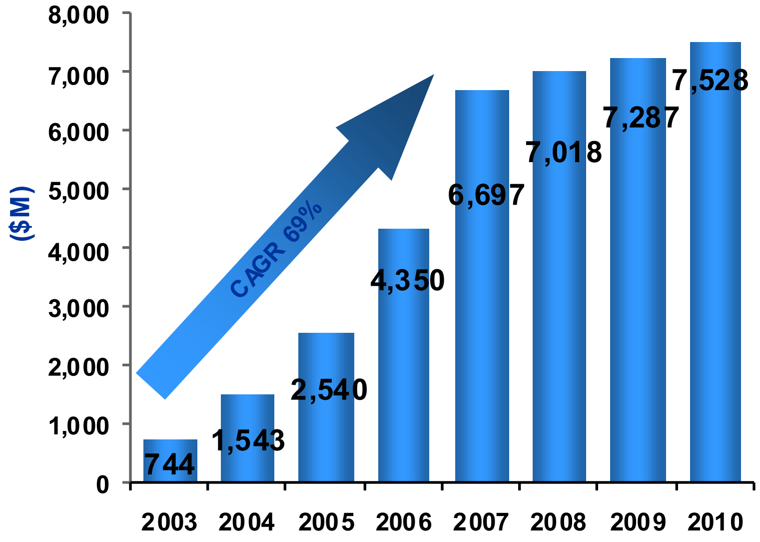
Disease management stands to become a $20 Billion a year industry in the US – *The Wall Street Journal*

Historical growth



Source: 1987-2002 Disease Management Purchasing Consortium.
2003-2010 McKesson Internal Data

Projected growth



Source: McKesson Management Team

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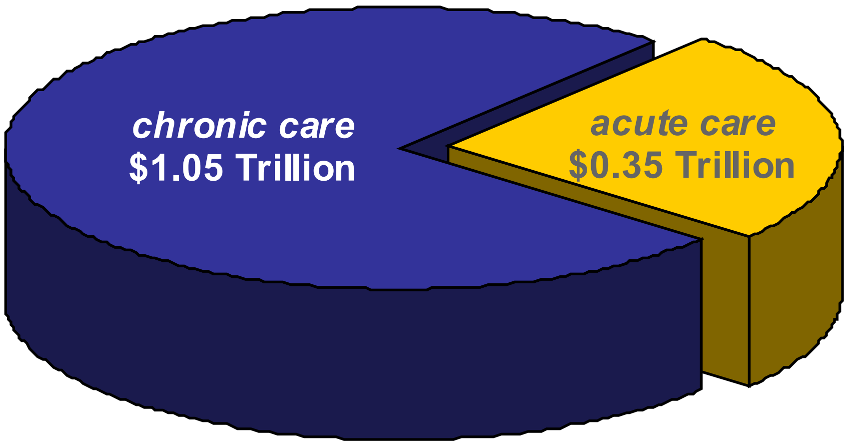
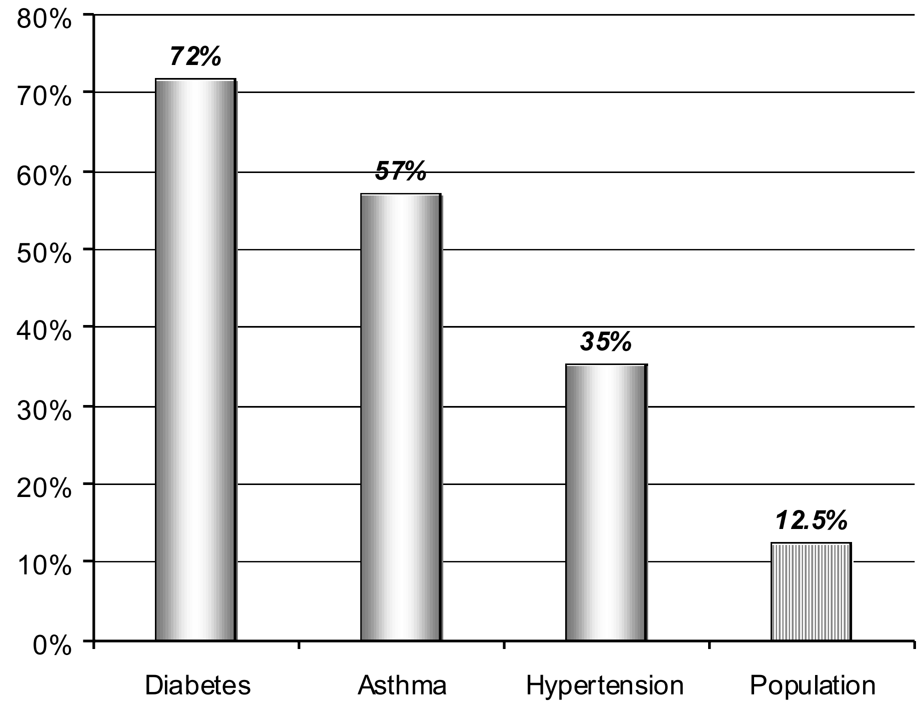
Most healthcare resources are spent on chronic diseases

Distribution of healthcare spending in the US – acute vs. chronic -



85% of all hospital costs and 69% of all physician costs go to treat chronic diseases

Increases in chronic disease prevalence (1990-2000)



Source: Centers for Disease Control, 2003 Data

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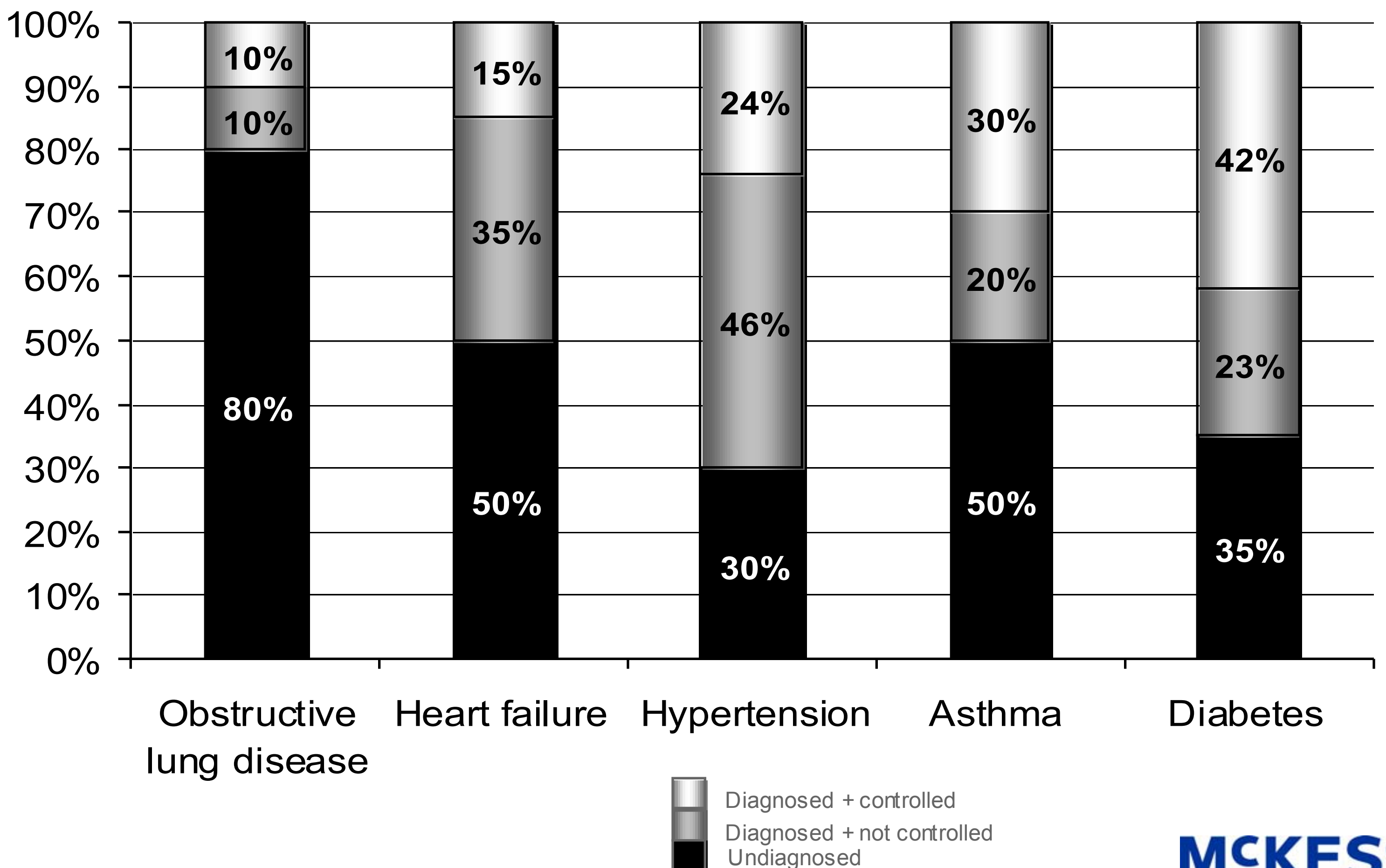
Chronic Diseases are not Managed Appropriately

Diagnosis and treatment for five leading chronic diseases



Source: American Heart Association, American Diabetes Association, National Heart, Lung, Blood Institute, American Lung Association, National Center for Health Statistics.

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McKesson's Integrated Disease Management Model

Utilize data to stratify population and identify high cost and high risk members

Ensure interventions are continuously evaluated to realize benefits

Engage and enroll members and providers; promote accountability for care; align incentives

Establish meaningful interventions that focus on cases with the greatest opportunity for impact

- **7 States**
- **$2 ROI for every $1 spent with McKesson**

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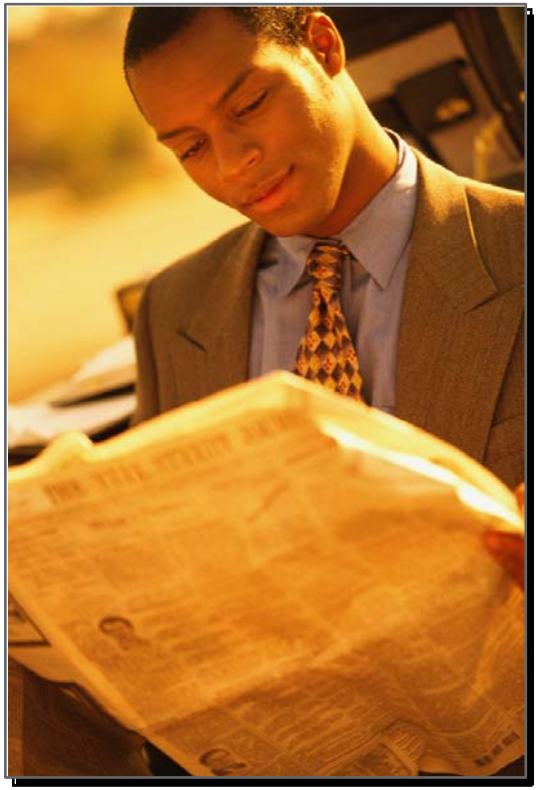
Code Auditing for Accurate Payment

"$10 billion per year spent on inappropriate coding..."
CMS Study

"Healthcare premiums jump to 10-15% this year…"
Hewitt Associates

"Consultants billing advice may lead to improperly paid insurance claims"
GAO June 2001



"Cost of processing a claim is between $6-$12 or $12.7 billion for all physicians annually..."
American Medical Association

"It costs a Health Plan $25 for every manual intervention."
"Use of IT in Claims Processing"

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Value of McKesson's Code Auditing Solutions

- Incorporates clinically focused edits linked into claims processing systems
- Promotes accurate coding
- Supports consistent claim adjudication
- Controls administrative costs
- Decreases claims suspensions
- Improves claim turn-around time
- Transparency with providers

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Robyn Speak Walsh

SVP, Head of Workers' Comp Access

AETNA

The Aetna Advantage

- Brand strength of Aetna
- Consistent national proprietary networks
- Effective medical quality & cost management
- Pharmacy integration & transparency
- Industry leading product innovation and choice
- Value-added information management & integration
- Superior customer service
- High performance culture

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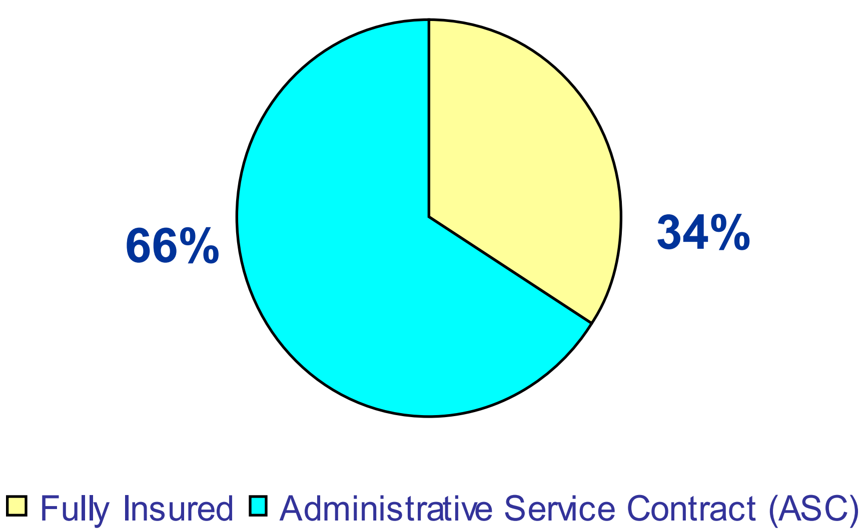
Aetna Membership Profile

Aetna

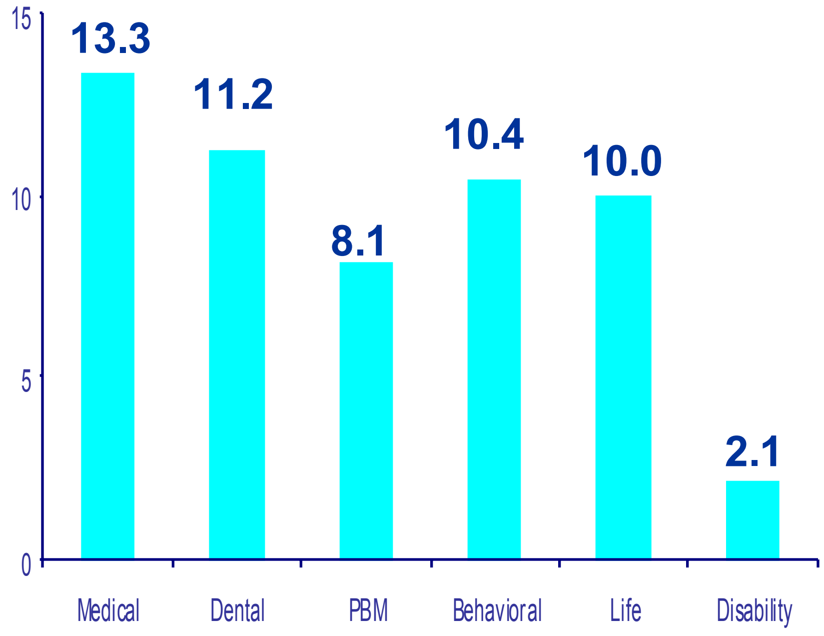
Total Medical Membership

13.3 Million
3/31/2004



Members By Product

3/31/2004



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Enterprise Strategy

- **Aetna will provide, both nationally and locally, easy-to-use:**
  - **High value integrated health and related group benefits;**
  - **Leveraging information to meet the needs of our targeted customers**

Aspiration → Over the next five years, Aetna plans to become the industry leader in healthcare and related benefits

Enterprise Strategy

Information

- Population Management
- Decision Support
- Educate and enable consumers

Integration

- Clinical
- Administrative
- Financial

Innovation

- Products and Services
- Competitive Networks
- Business Case for Quality

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Broad Product Portfolio & Market Presence

Aetna

INTEGRATED PRODUCT CAPABILITIES

- Health – insured and ASC
- Dental – insured and ASC
- Behavioral Health
- Pharmacy – including mail order
- Patient & Disease Management

- Group Life
- Group STD & LTD
- Group LTC
- Sponsor-directed data analysis
- Data-driven solutions

Customized by Market

FOCUSED CUSTOMER MARKET SEGMENTS

Consumer Markets
- Small Group: 1-50 members
- Retiree
- Individuals
- Medicare

Middle Markets
- Select: 51 – 300 members
- Key: 301 – 3,000 members

National Accounts
- 3,000+ members
- Aetna Global Benefits

MEMBERS

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McKesson Partnership

- Relationship has developed over 15 years:
  - Claims payment products and development partner
  - Medical management products
  - Pharmacy related products
- Aligned values
- Collaborative projects to drive value and results

Information

Integration

Innovation

Extensive Product & Service Capabilities

Strong Financial Performance

Disciplined Capital Management

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McKESSON

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Rica Lewis-Payton

Former Executive Director

STATE OF MISSISSIPPI
DIVISION OF MEDICAID

Mississippi Division of Medicaid

- 720,304 beneficiaries in FY03, covers approximately 25% of the state's population
  - Children 52%
  - Blind and disabled 22%
  - Elderly 15%
  - Adults 11%
- $3.1 billion budget (FY03)
  - $2.4 billion in Federal Funds
  - $0.7 billion in State match
- 25 Regional offices across the state

Source: Mississippi Medicaid Annual Report and Kaiser Family Foundation

Mississippi Disease Management Experience

- Medicaid program launched in April 2003
- Serves 46,233 across three chronic conditions:
  - 30,881 Asthma
  - 9,961 Diabetes
  - 5,391 High-risk hypertension
- Additional 29,195 beneficiaries with stable chronic conditions supported by the Nurse Advice Line
- Beneficiaries responded well in 1st year:
  - 92.9% are satisfied with the program overall
  - < 5% of all beneficiaries opt-out of the program
  - Program exceeding financial & utilization goals
- UMC is collaborating with McKesson designing Disease Management model for Medicare Phase I Chronic Care Initiative

Health Status Improvement Clinical Indicators

Condition	Clinical Behavior	Initial Assessment	6 Month Assessment	Percent Change in 6 Months
Asthma	Inhaled Corticosteroid Daily Controller	41%	54%	32%
Asthma	Annual Flu Vaccine	38%	50%	32%
Diabetes	Taking Aspirin or Antiplatelet Agent	45%	68%	51%
Diabetes	Has Action Plan	15%	33%	120%
Hypertension & HF	ACE Inhibitor/ARB Rx	66%	75%	14%
Hypertension & HF	Daily Weights	36%	71%	100%

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Mississippi Division of Medicaid

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MISSISSIPPI DIVISION OF MEDICAID

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Election Year Healthcare

2004 Investor Day

June 17, 2004

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Ann Richardson Berkey

Vice President, Public Affairs

"I can tell you the drug card is working"

SON

Gladys Cole, 73

ng He

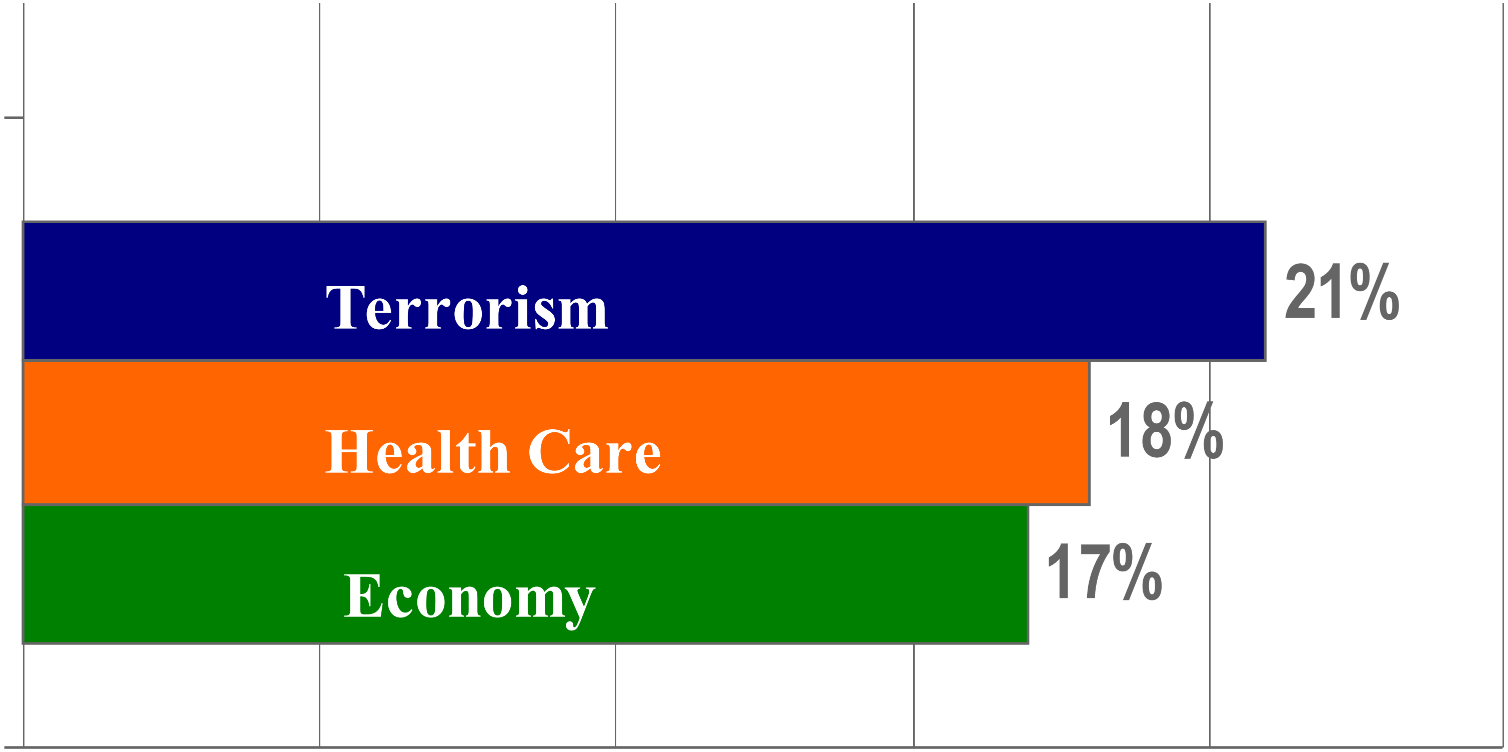
Prior Cost $120
With Rx Card $22

"He told me what the savings was. I just about dropped my false teeth."

http://www.washingtonpost.com/wp-dyn/articles/A41803-2004Jun14.html

Public Polling
AP Poll, Jan 19, 2004

"Name the most important problems facing the United States"



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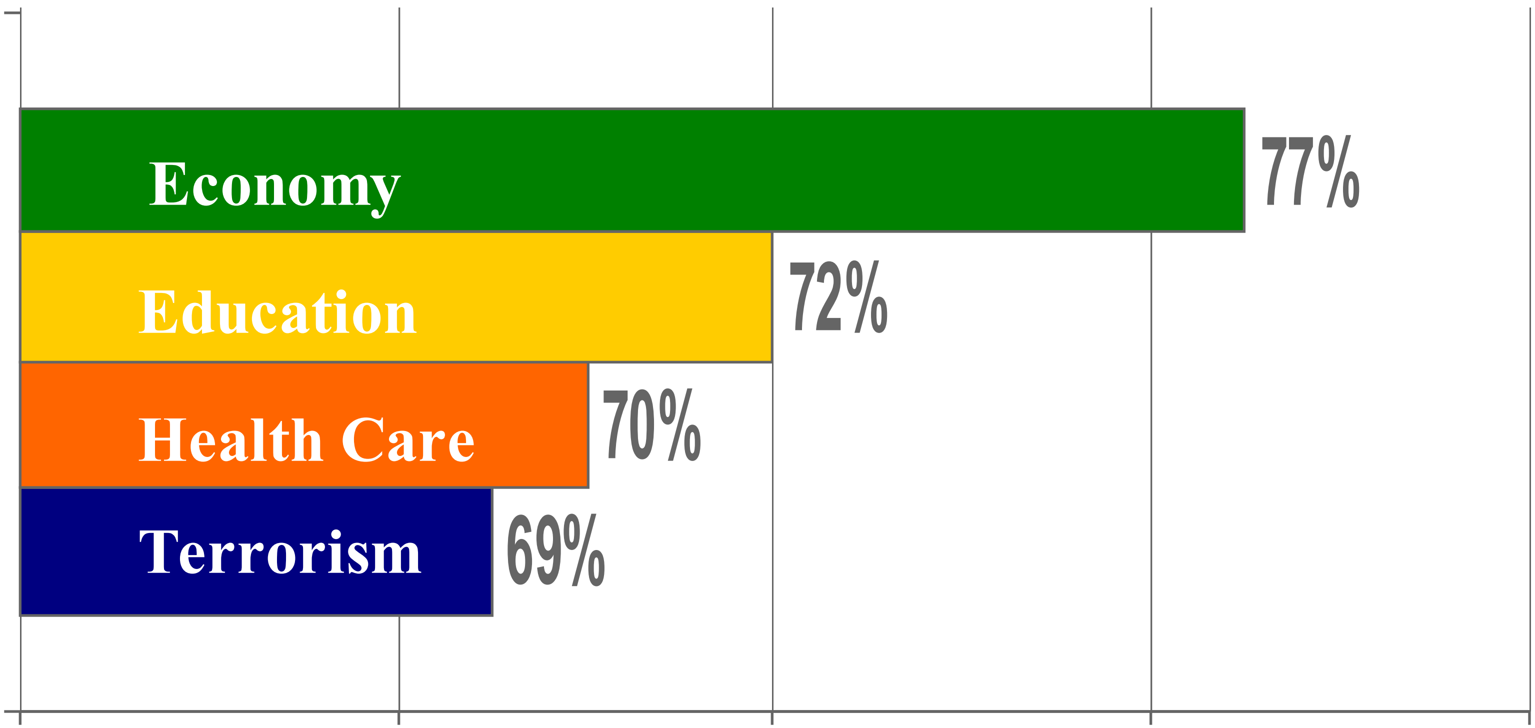
Public Polling
Newsweek, Feb 19-20, 2004

"How important will each issue be in determining your Presidential vote?"

Percentage of Respondents who said "Very Important"



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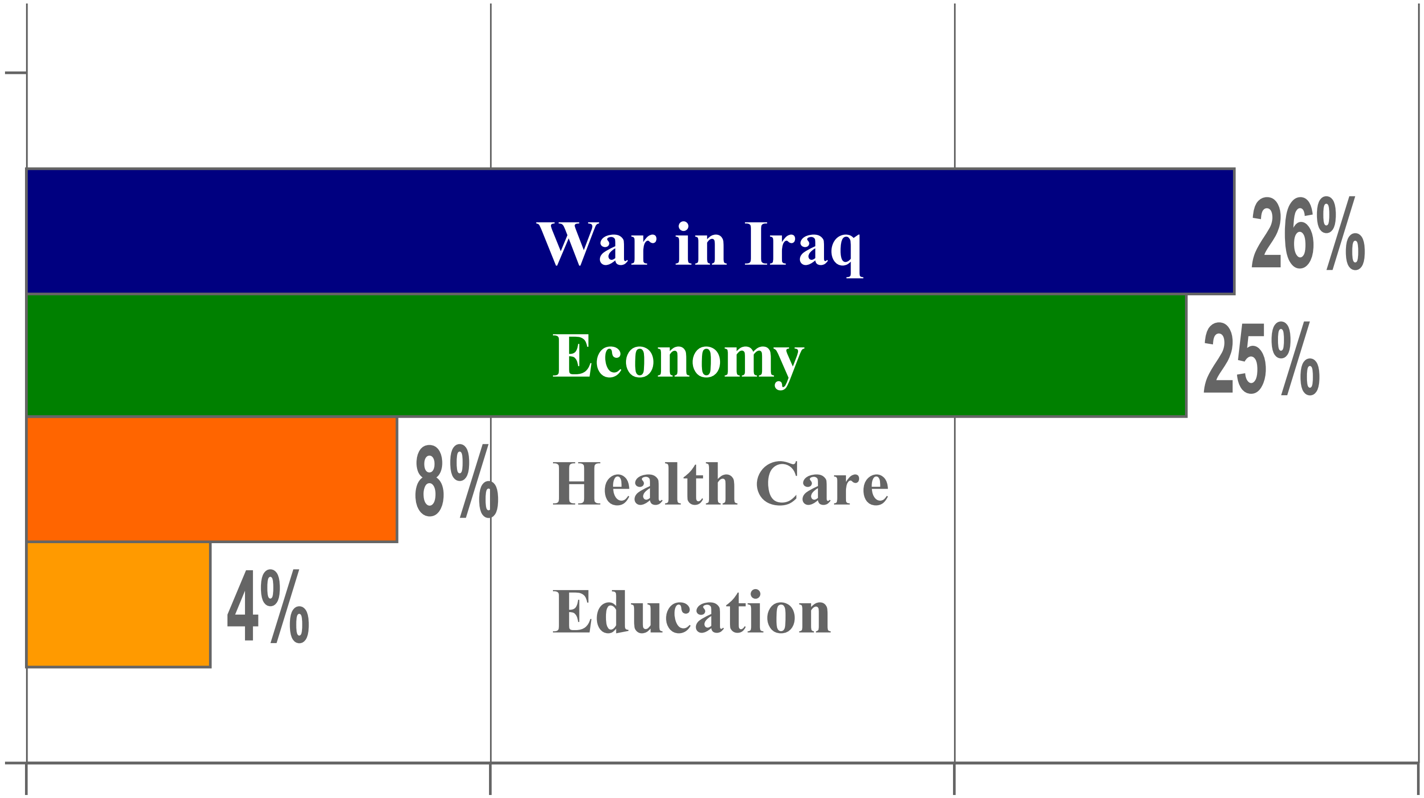
Public Affairs Dept.
06/04

Public Polling
CBS News May 20-23, 2004

"Which one issue do you want to hear the Presidential candidates discuss?"



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Public Affairs Dept.
06/04

A View from Washington

Health Care

e-Prescribing

Generics

Rx Pricing

Quality & Outcomes

Patient Safety

Disease Management

Pharmaceutical Therapy

Internet Pharmacy

Drug Importation

Health Information Technology

Implementing the Medicare Rx Bill

Barcoding

Coverage of Uninsured

HIPAA / Patient Privacy

Product Safety

Telehealth

AWP Reform

Medicaid Reimbursement

Interoperability Standards

Major Health Care Priorities

- Implementation of the MMA
- Importation
- Health Information Technology

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Implementation of the MMA

- Drug Discount Card
- Disease Management
- Electronic Prescribing

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Disease Management

Congresswoman Nancy Johnson (R-CT)
Chair, Ways & Means Subcommittee on Health

"The chronic care improvement program is a major step forward for the Medicare program and the quality of health care it provides. It represents a fundamental shift in how we think about caring for our seniors and people with disabilities."

May 2004

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Rx Importation

Growing political pressure to allow limited importation

- HHS Task Force
- White House
- Congress
- Governors & State Legislatures

MCKESSON

March 31, 2004

Food and Drug Administration
5630 Fishers Lane, Room 1061
Rockville, Maryland 20852

RE: Task Force on Importation

Dear Sir or Madam:

On behalf of McKesson Corporation, we are pleased to submit comments to the U.S. Department of Health and Human Services for the Task Force on Importation.

McKesson has serious concerns that a broad-based importation system may not assure both product safety and cost savings to the American consumer.

MCKESSON
Empowering Healthcare

Health Information Technology

"By computerizing health records, we can avoid dangerous medical mistakes, reduce costs, and improve care."

George W. Bush,
President of the United States
State of the Union Address to Congress
January 20, 2004

"Information saves lives, and it saves money…and we've got a strategy to encourage information--the spread of information technology throughout the entire health care industry to help control the costs and raise the quality of health care."

President George W. Bush
Vanderbilt University Medical Center
May 27, 2004

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Empowering Healthcare

Public Affairs Dept.
06/04

Health Information Technology

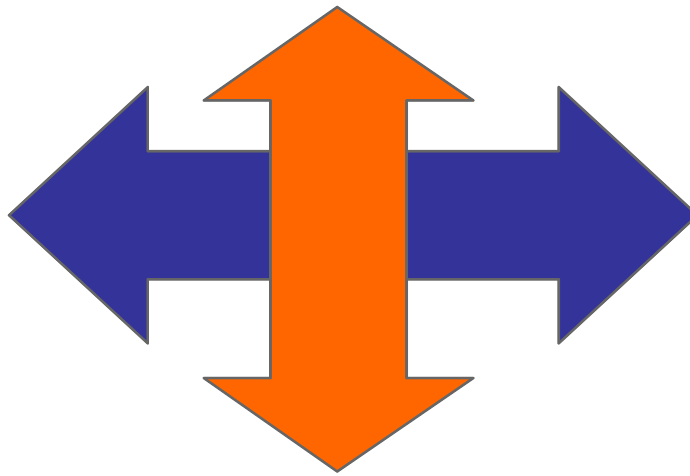
White House Initiatives

- Appointment of National HIT Coordinator
- Collaboration with the Private Sector
  - Standards & Interoperability of Systems
  - Economic Incentives for Providers
  - Electronic Medical Record

Crossroads for HIT

"The best way to improve quality and reduce costs in health care is through the use of health information technology… we need to…clear away barriers to adoption of technology and provide needed incentives to health care providers."

US Senator Judd Gregg
Press Release
April 27, 2004



"And we can realize the promise of savings through information technology and disease management by passing quality health legislation now."

US Senator Hillary Clinton
New York Times Magazine
April 18, 2004

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Health Information Technology

Congressional Initiatives

- Bipartisan House and Senate Legislation
- Formation of House HIT Caucus

May 3, 2004

The New York Times
nytimes.com

Operating in a Vacuum

By NEWT GINGRICH and PATRICK KENNEDY

WASHINGTON - Health care policy is a partisan minefield, with Democrats and Republicans differing on everything from Medicare changes to malpractice reform to strategies for covering the uninsured. Yet, while the two of us have been on opposite sides of most of those battles, we both believe that America's health care delivery system must be transformed. To begin that transformation, we should heed President Bush's call last week for widespread adoption of electronic health records.

McKESSON
Empowering Healthcare

Outlook

Health policy issues under deliberation align with our core competencies

- Medicare Modernization Act
  - Acceptability and Implementation of Rx Discount Card
  - Greater Accessibility to Rx for Seniors
  - Disease Management
- HIT Initiatives
  - Groundwork for 2005

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