

MCKESSON

Empowering Healthcare

Graham King

President

McKesson Information Solutions

MCKESSON

Empowering Healthcare

Agenda

- **MIS Update**
- **Product Solution Strategies**
- **Outlook . . . Continued Revenue Growth and Margin Expansion**

MIS Update Overview

Financial Strength

- ◆ ~\$1 Billion Revenues
- ◆ 14.5% of revenue goes to R&D investment

Market Presence

- ◆ 60% of health systems
- ◆ 82% of covered lives
- ◆ Largest / most profitable International HIT business

Solution Portfolio

- ◆ Most comprehensive
- ◆ Best-of-class
 - Software
 - Services
 - Outsourcing
 - Consulting
 - Tools
 - Content
 - Connectivity

Employee Expertise

- ◆ 6081 employees
- ◆ 1241 R&D
- ◆ 848 customer support
- ◆ 481 Clinicians

MIS Update Agenda

■ MIS Update

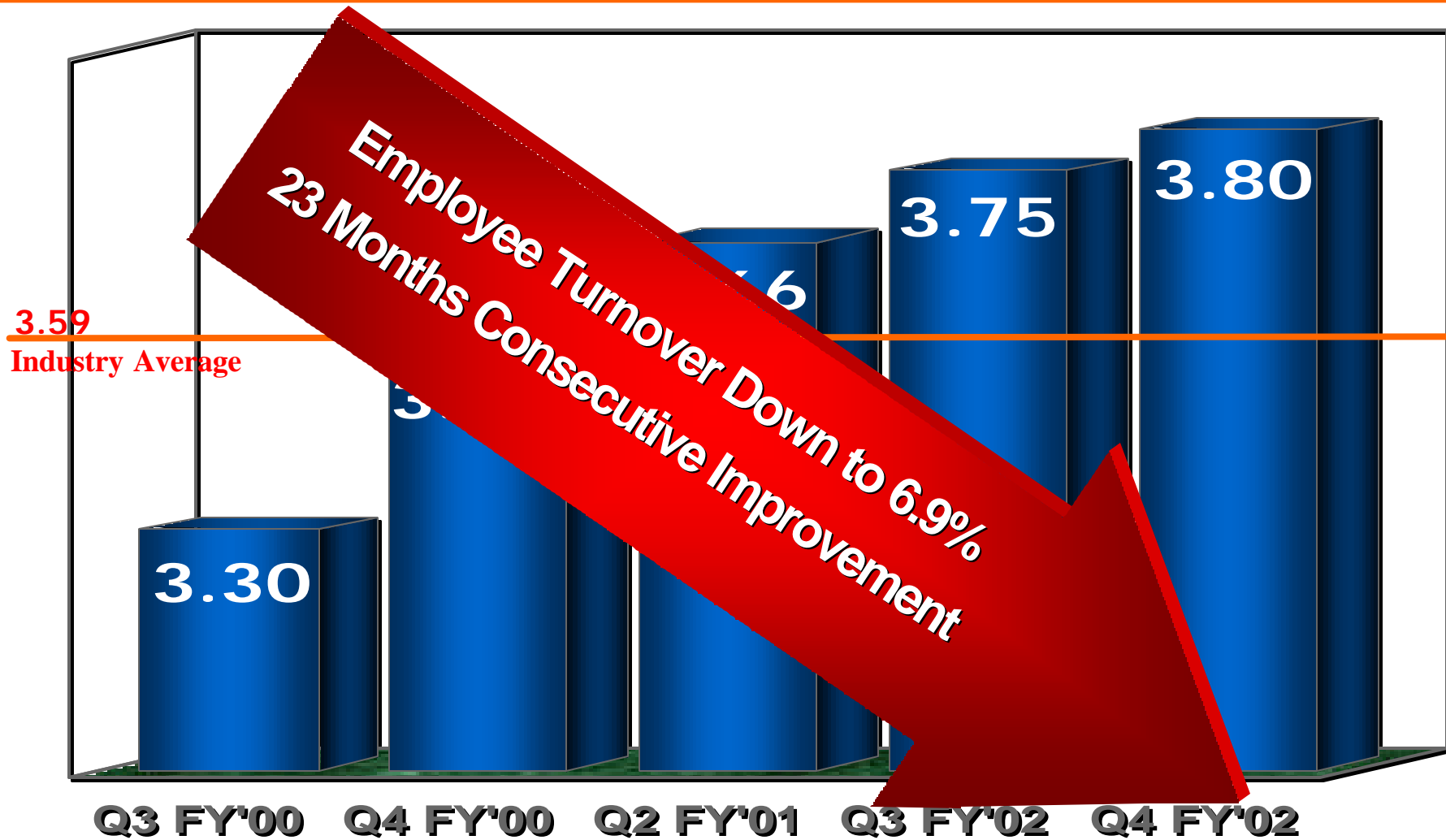
- Continued Operational Improvement
- Strong Momentum
- Improved Financial Performance

Continued Operational Improvement

Category	Status
Employee Satisfaction	Excellent

Continued Operational Improvement

Employee Satisfaction . . . Excellent



MCKESSON

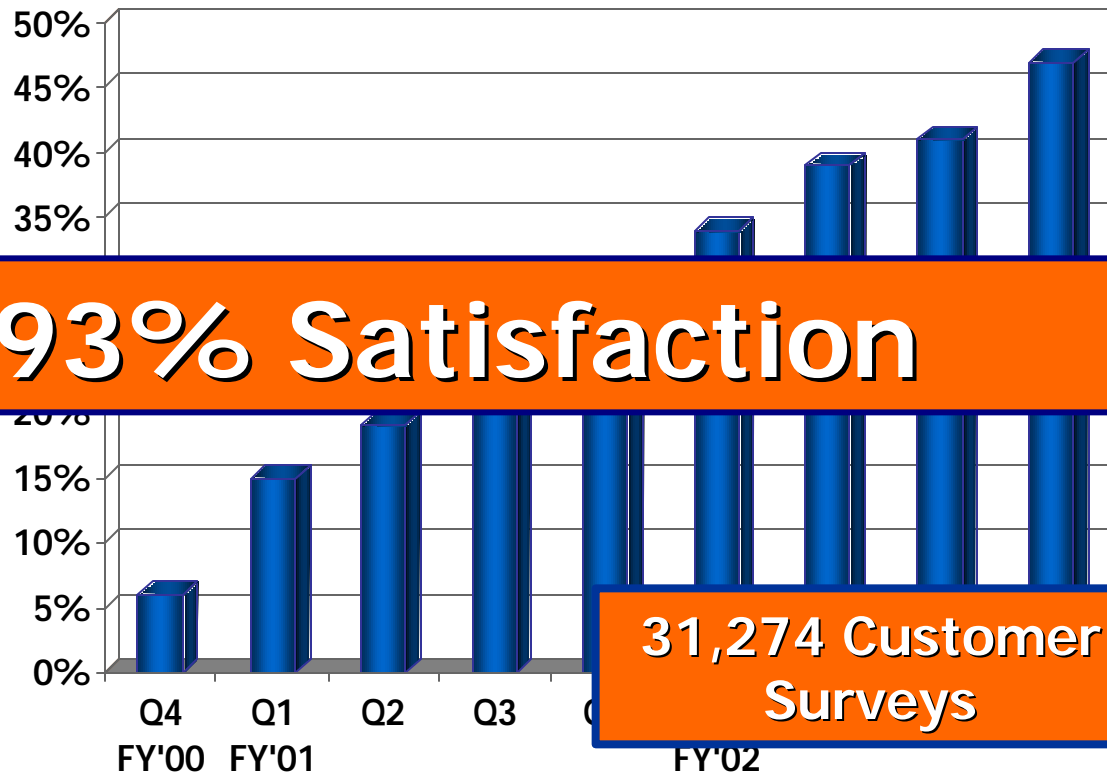
Empowering Healthcare 6

Continued Operational Improvement

Category	Status
Employee Satisfaction	Excellent
Customer Support	Excellent

Continued Operational Improvement

Customer Support . . . Excellent



93% Satisfaction

31,274 Customer Surveys

% First call Resolution



MCKESSON

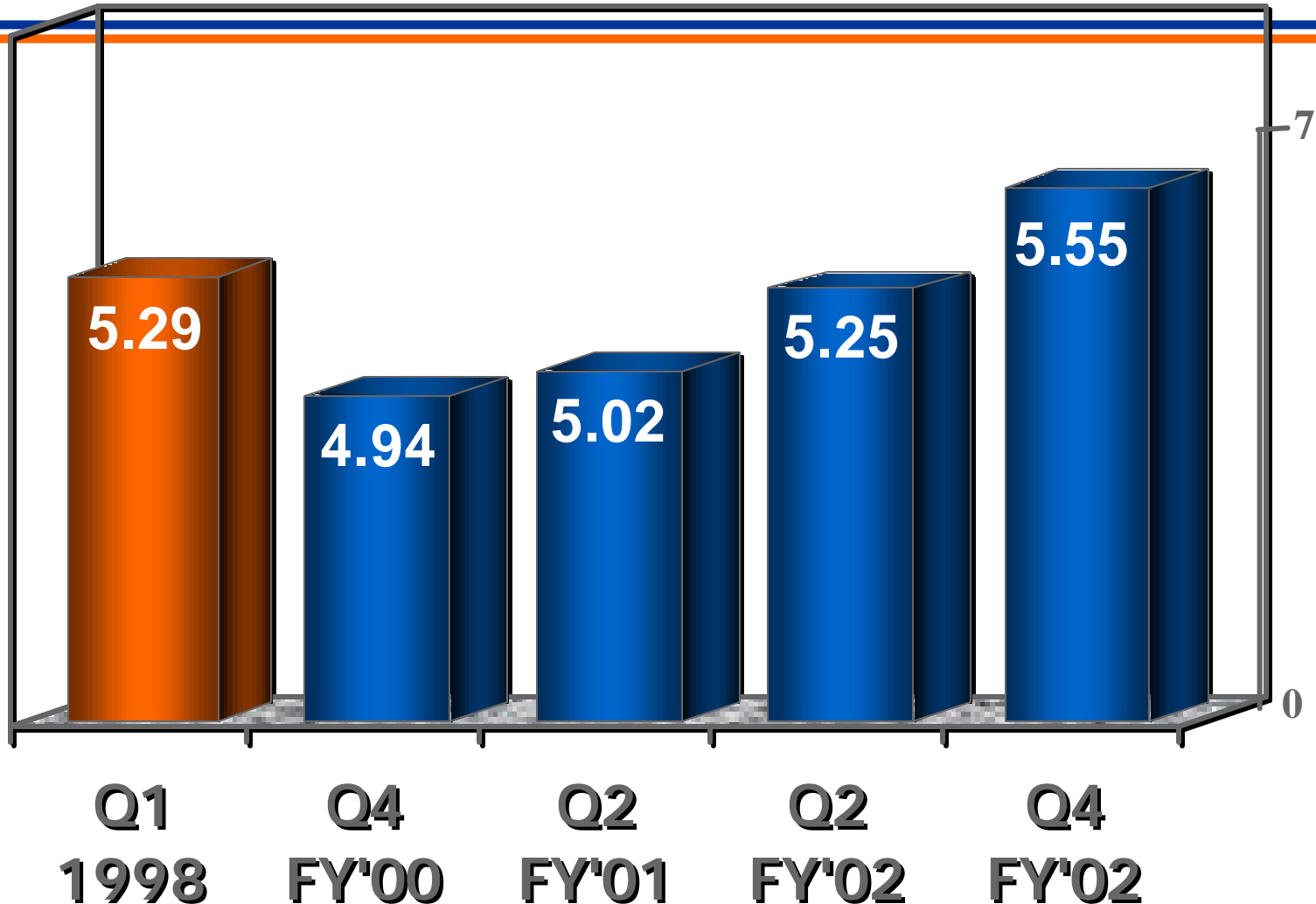
Empowering Healthcare 8

Continued Operational Improvement

Category	Status
Employee Satisfaction	Excellent
Customer Support	Excellent
Customer Satisfaction	Significant Improvement

Continued Operational Improvement

Customer Satisfaction . . . Significant Improvement



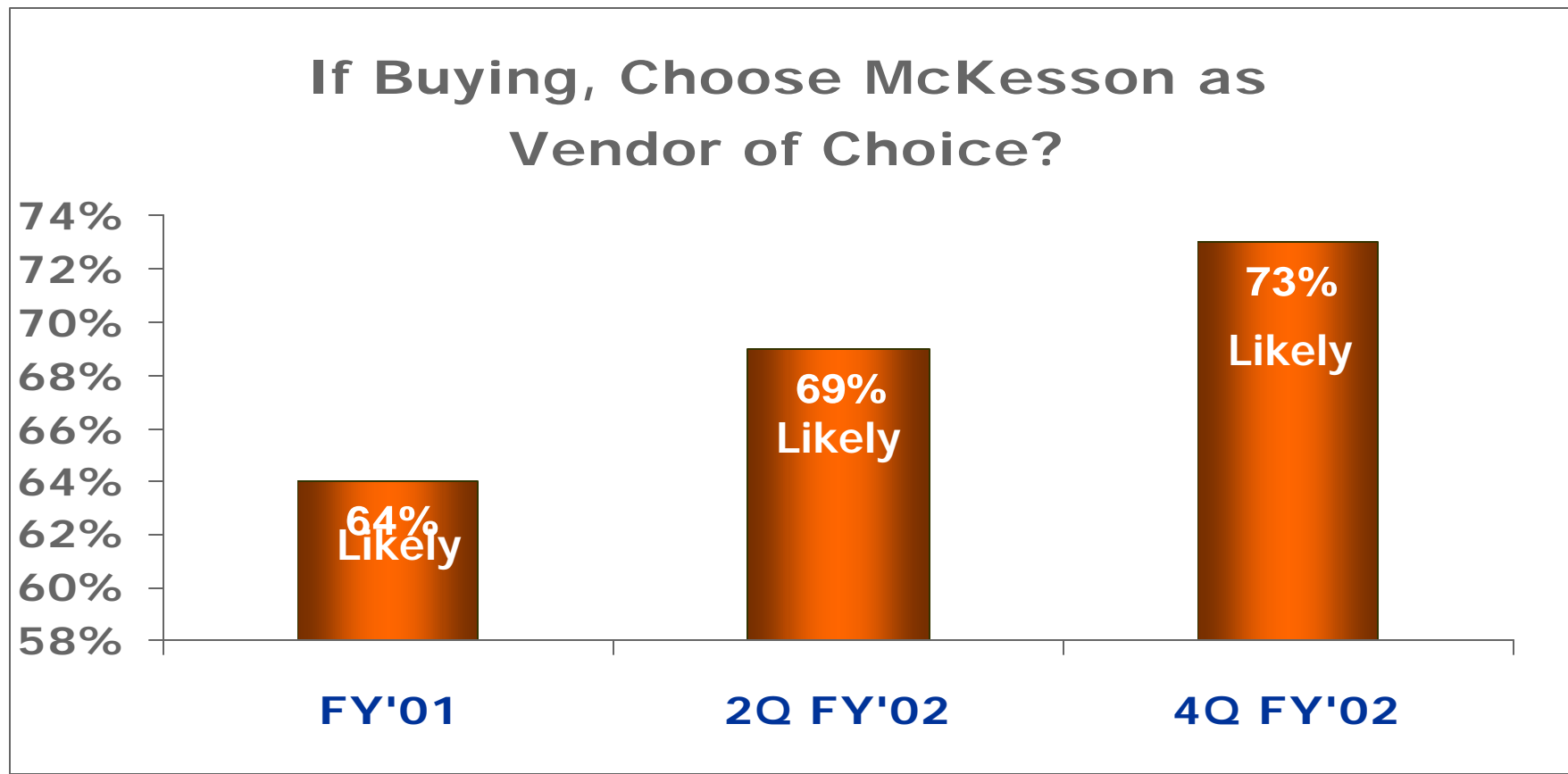
* Source: McKesson CIO Survey (CIO Responses 377 2nd Qtr FY02, 288 4th Qtr FY02)

MCKESSON

Empowering Healthcare 10

Continued Operational Improvement

Customer Satisfaction . . . Significant Improvement



* Source: McKesson CIO Survey (665 CIO Survey Responses)

MCKESSON

Empowering Healthcare 11

Continued Operational Improvement

Category	Status
Employee Satisfaction	Excellent
Customer Support	Excellent
Customer Satisfaction	Significant Improvement
R&D	Key Deliverables on Schedule

Continued Operational Improvement

R&D . . . Key Deliverables on Schedule

Horizon Clinicals	Planned GA Date	Actual GA Date
Care Record	Q3 FY01	Q3 FY01
Meds Manager	Q3 FY01	Q3 FY01
Physician Portal	Q4 FY01	Q4 FY01
Surgical Manager	Q4 FY01	Q4 FY01
Ambulatory	Q3 FY02	Q3 FY02
Expert Orders	Q3 FY03	On Schedule
Emergency Dept	Beta Q2 FY03	TBD

* *Projected*

MCKESSON

Empowering Healthcare 13

MIS Update Agenda

■ MIS Update

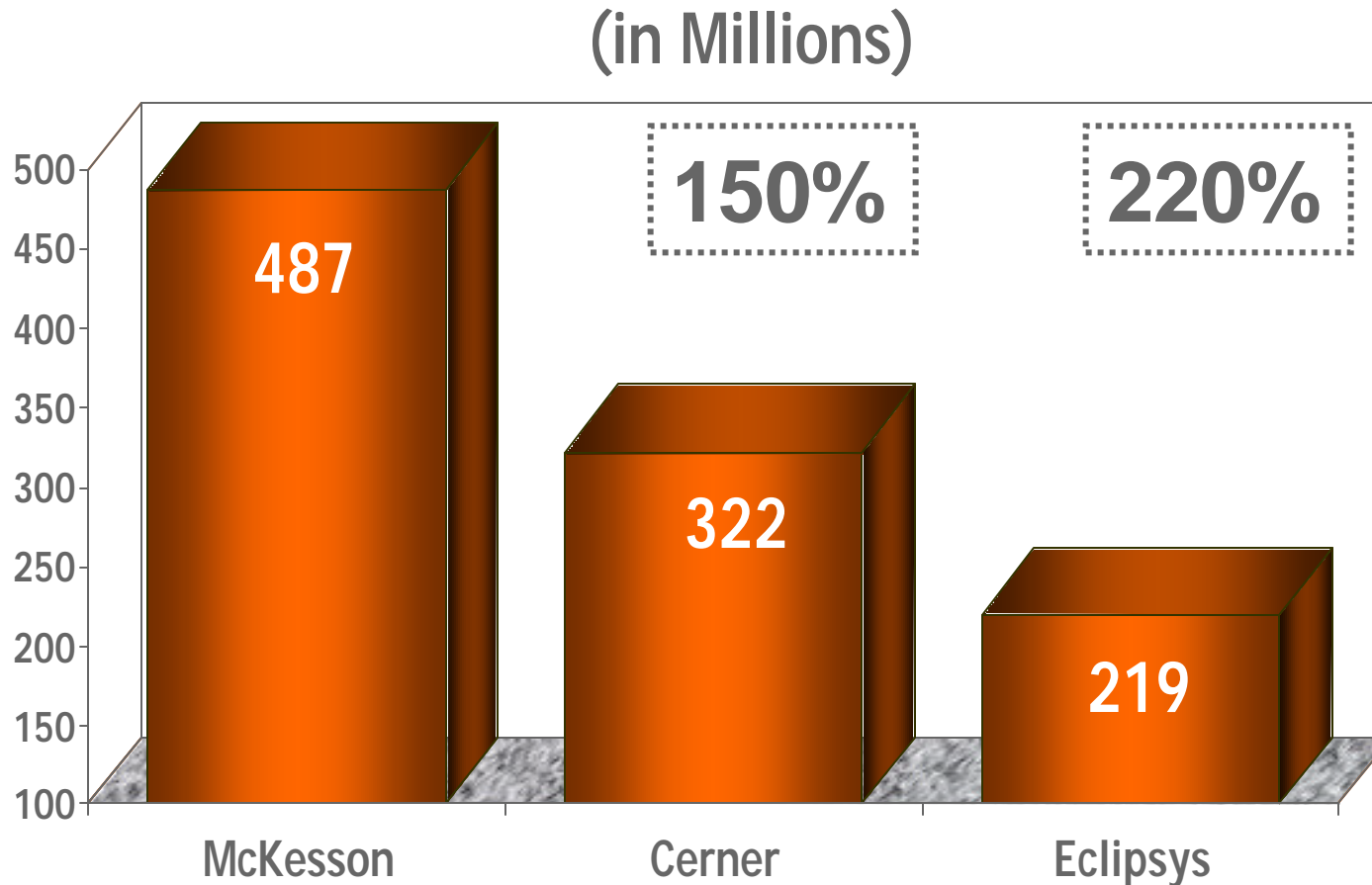
- Continued Operational Improvement
- Strong Momentum
- Improved Financial Performance

Strong Momentum

Category	Status
One-Time Software Bookings	Full Year up 37% 2nd Half up 73%

Strong Momentum

Outselling the Competition



Comparison of Second Half (Q3 & Q4) reported Bookings

MCKESSON

Empowering Healthcare 16

Strong Momentum

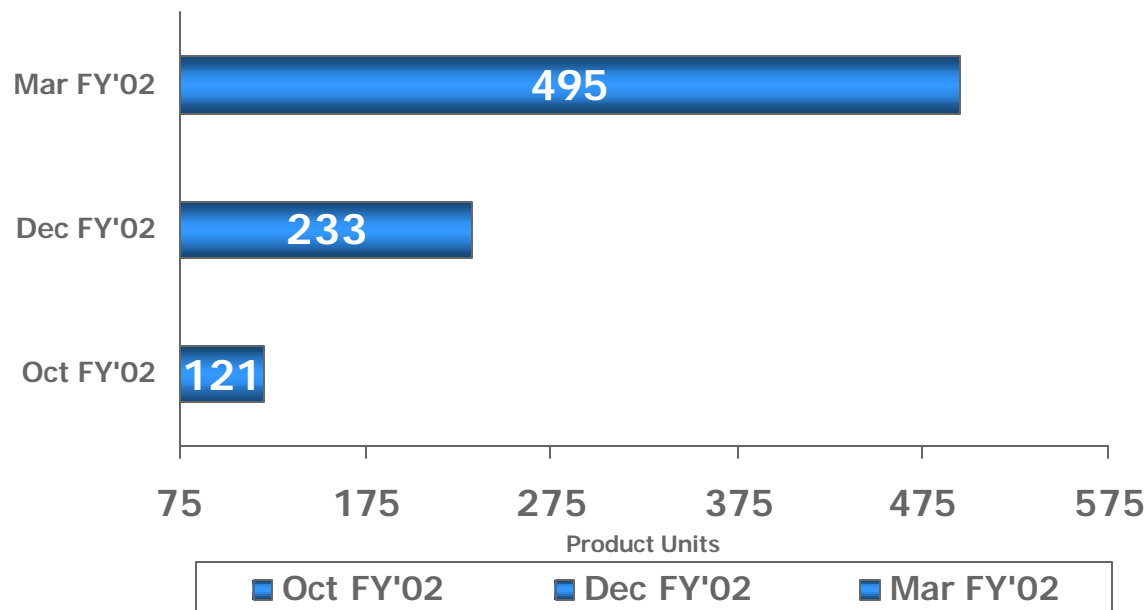
Category	Status
One-Time Software Bookings	Full Year up 37% 2nd Half up 73%
Backlog	Up 35% Year to Year

Strong Momentum

Category	Status
One-Time Software Bookings	Full Year up 37% 2nd Half up 73%
Backlog	Up 35% Year to Year
Establish Clinical Leadership	Excellent Progress

Strong Momentum Clinical Leadership . . . Results

FY'02 Clinical Units Sold



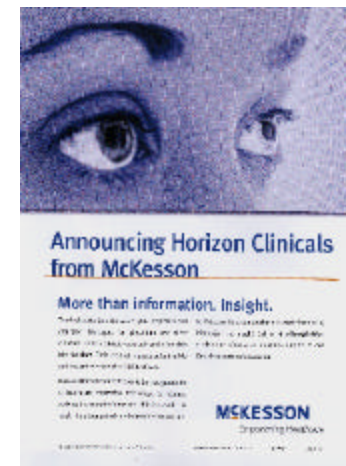
Horizon Clinicals Announced July 2001

■ Enterprise Solutions

- Physician access
- Medication safety
- Evidence-based POE
- Advanced nursing

■ Departmental Solutions

- Surgery
- Ambulatory
- Laboratory
- Emergency
- Pharmacy

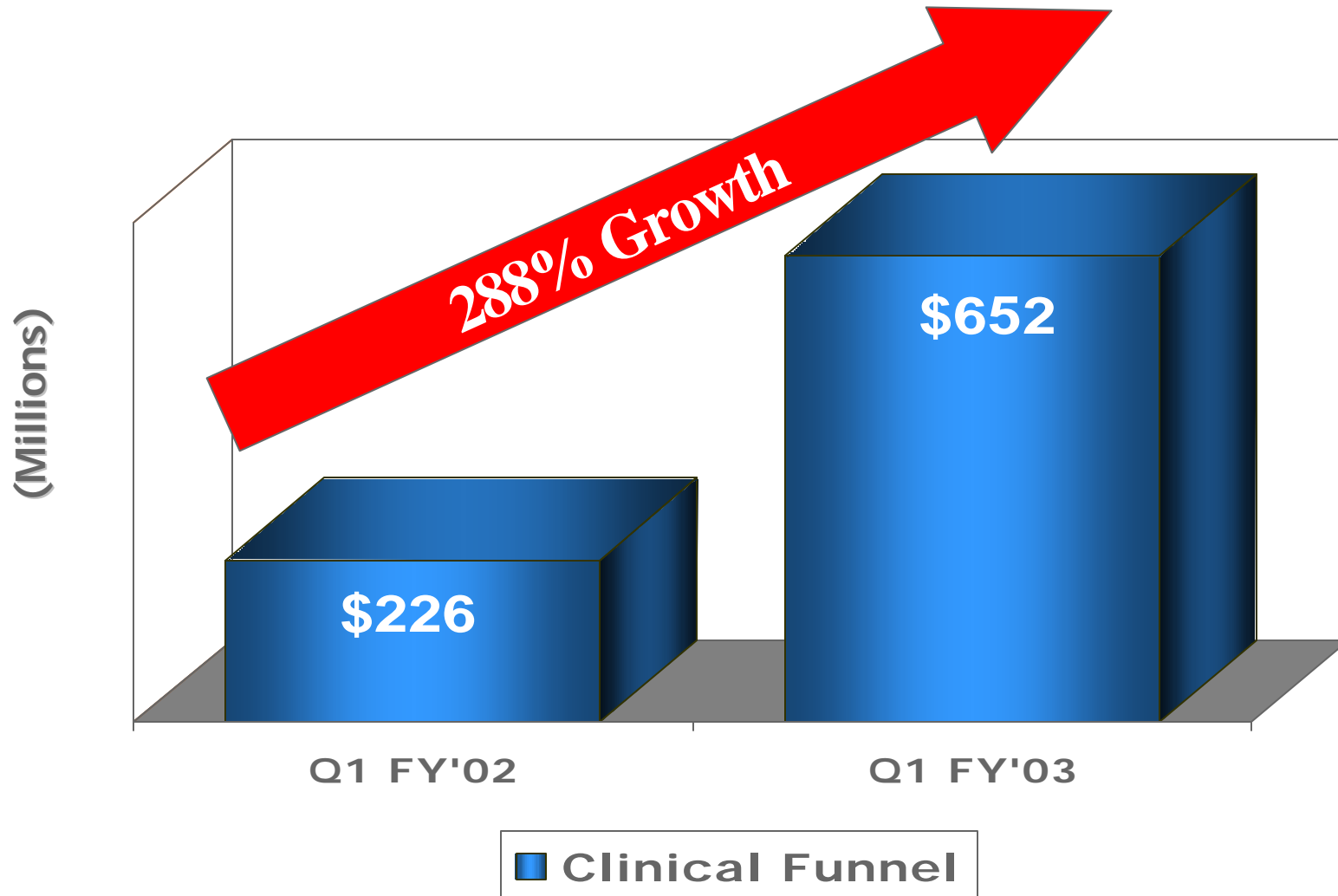


MCKESSON

Empowering Healthcare 19

Strong Momentum

Clinical Leadership . . . Increased Opportunities



MCKESSON

Empowering Healthcare 20

MIS Update Agenda

■ MIS Update

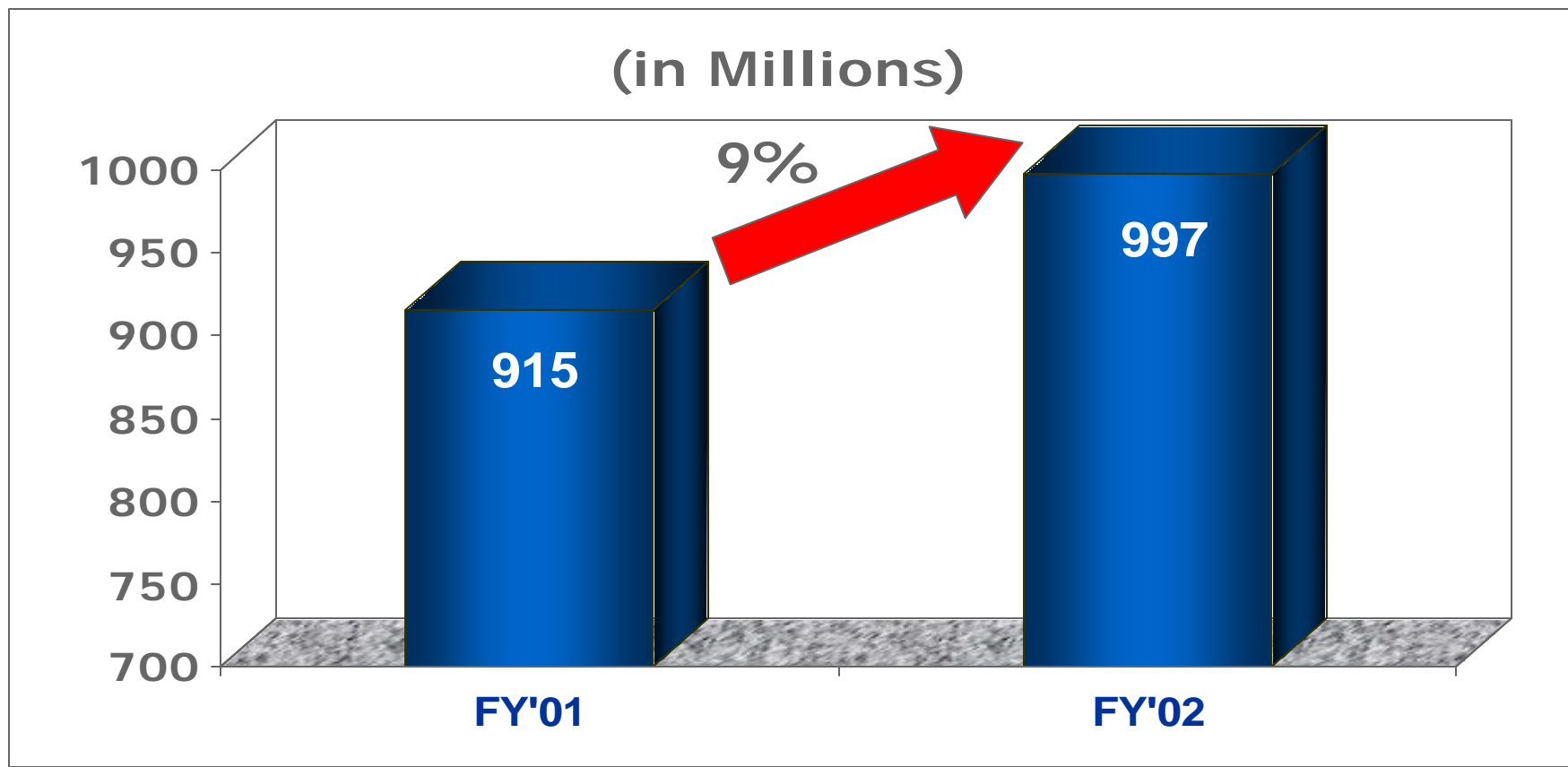
- Continued Operational Improvement
- Strong Momentum
- Improved Financial Performance

Improving Financial Performance

Category	Status
Revenue	Six Consecutive Quarters of Year-over-Year Growth

Improving Financial Performance

Revenue Growth



*Excluding AmiSys

MCKESSON

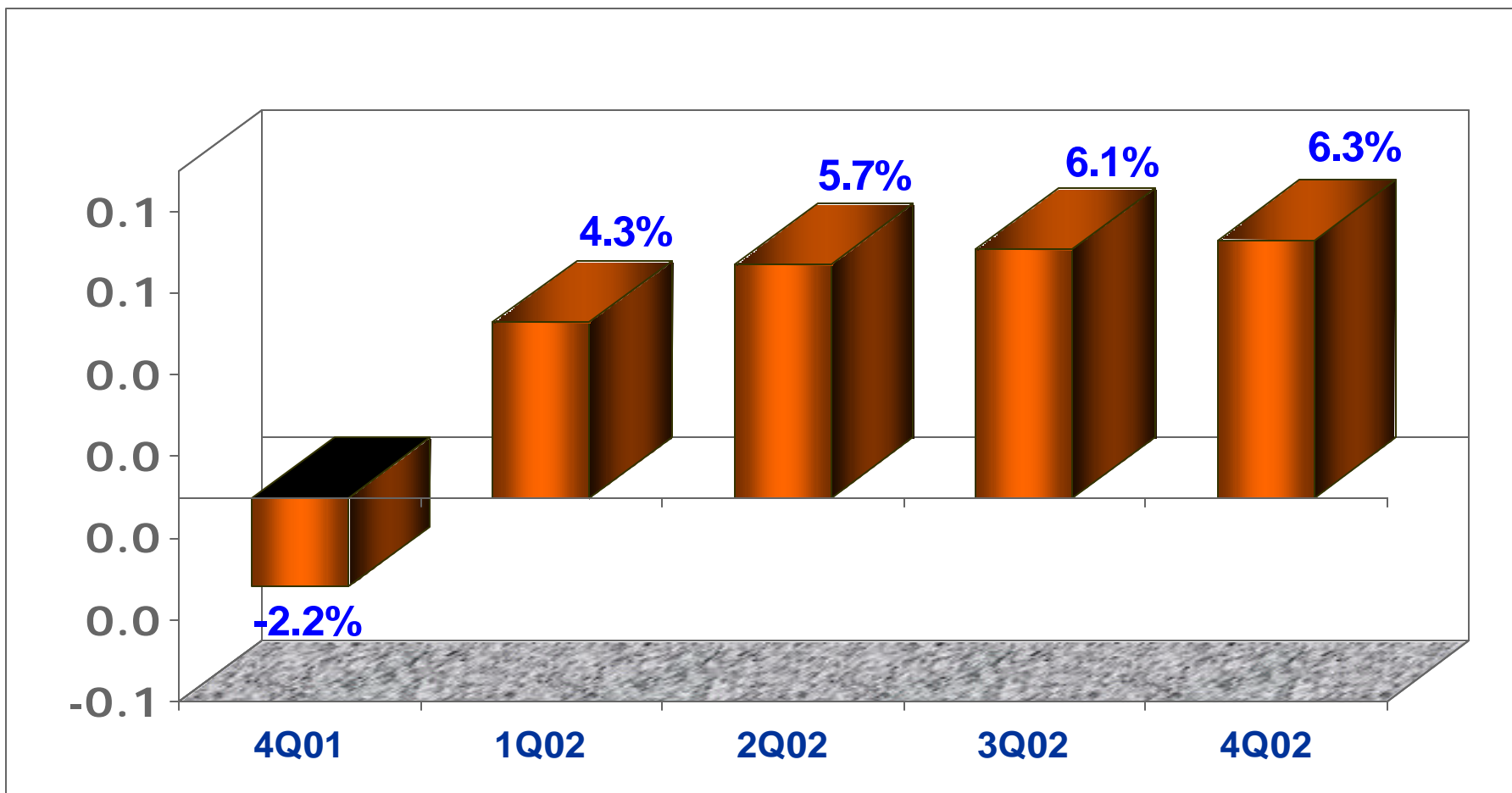
Empowering Healthcare 23

Improving Financial Performance

Category	Status
Revenue	Six Consecutive Quarters of Year-over-Year Growth Up 9% Year to Year
Margin	Four Consecutive Quarters of Expansion

Improving Financial Performance

Four Consecutive Quarters of Margin Expansion



Improving Financial Performance

Category	Status
Revenue	Six Consecutive Quarters of Year-over-Year Growth Up 9% Year to Year
Margin	Four Consecutive Quarters of Expansion
Operating Income	\$56 Million vs. Break Even

MIS Update Summary

- **Continued Operational Improvement**
- **Established Strong Momentum**
- **Continued Financial Improvement**

Agenda

- MIS Update
- **Product Solution Strategies**
- Outlook . . . Continued Revenue Growth and Margin Expansion

MCKESSON

Empowering Healthcare

Pamela J. Pure

Chief Operating Officer
McKesson Information Solutions

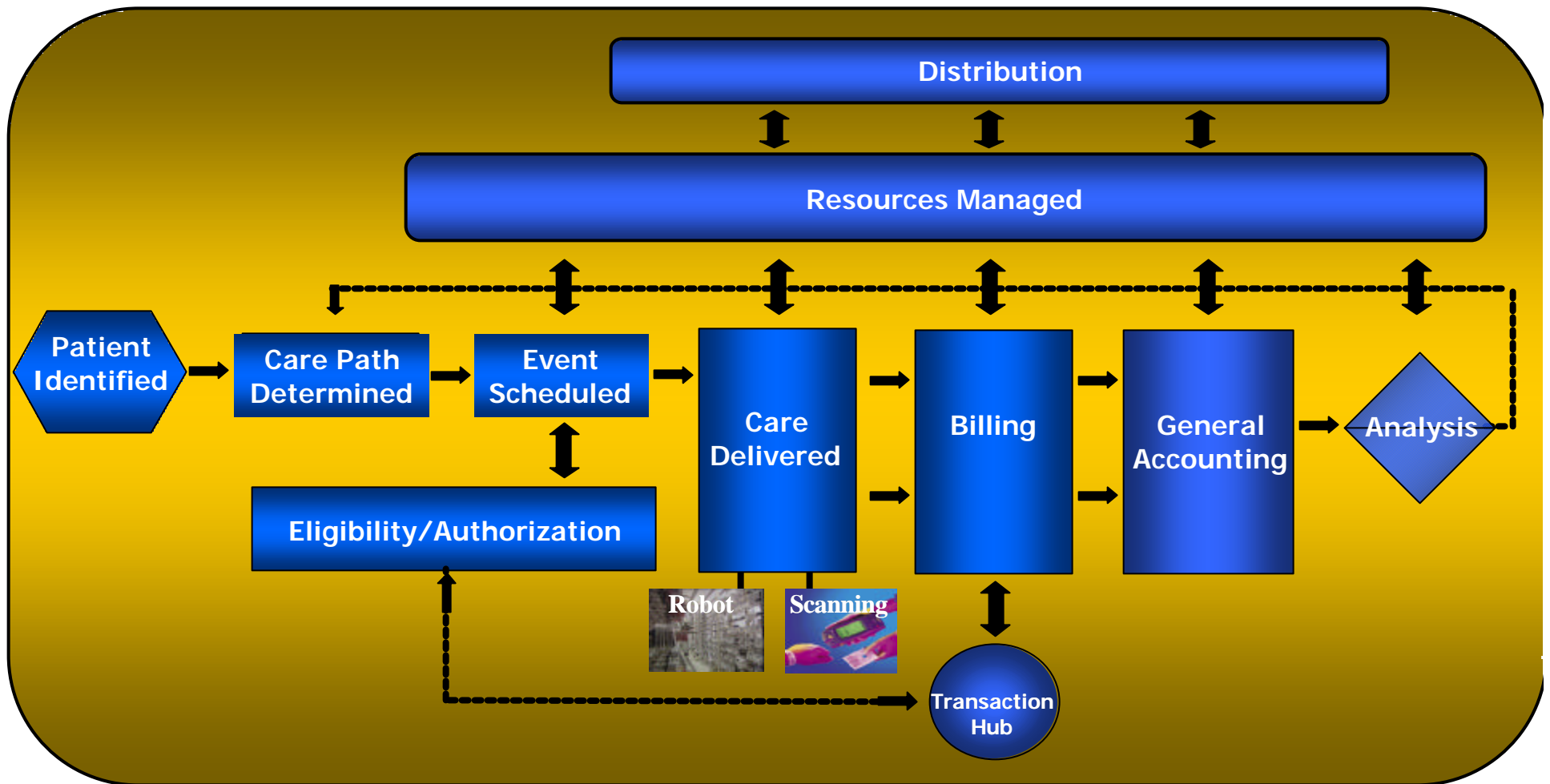
MCKESSON
Empowering Healthcare

McKesson Strategy

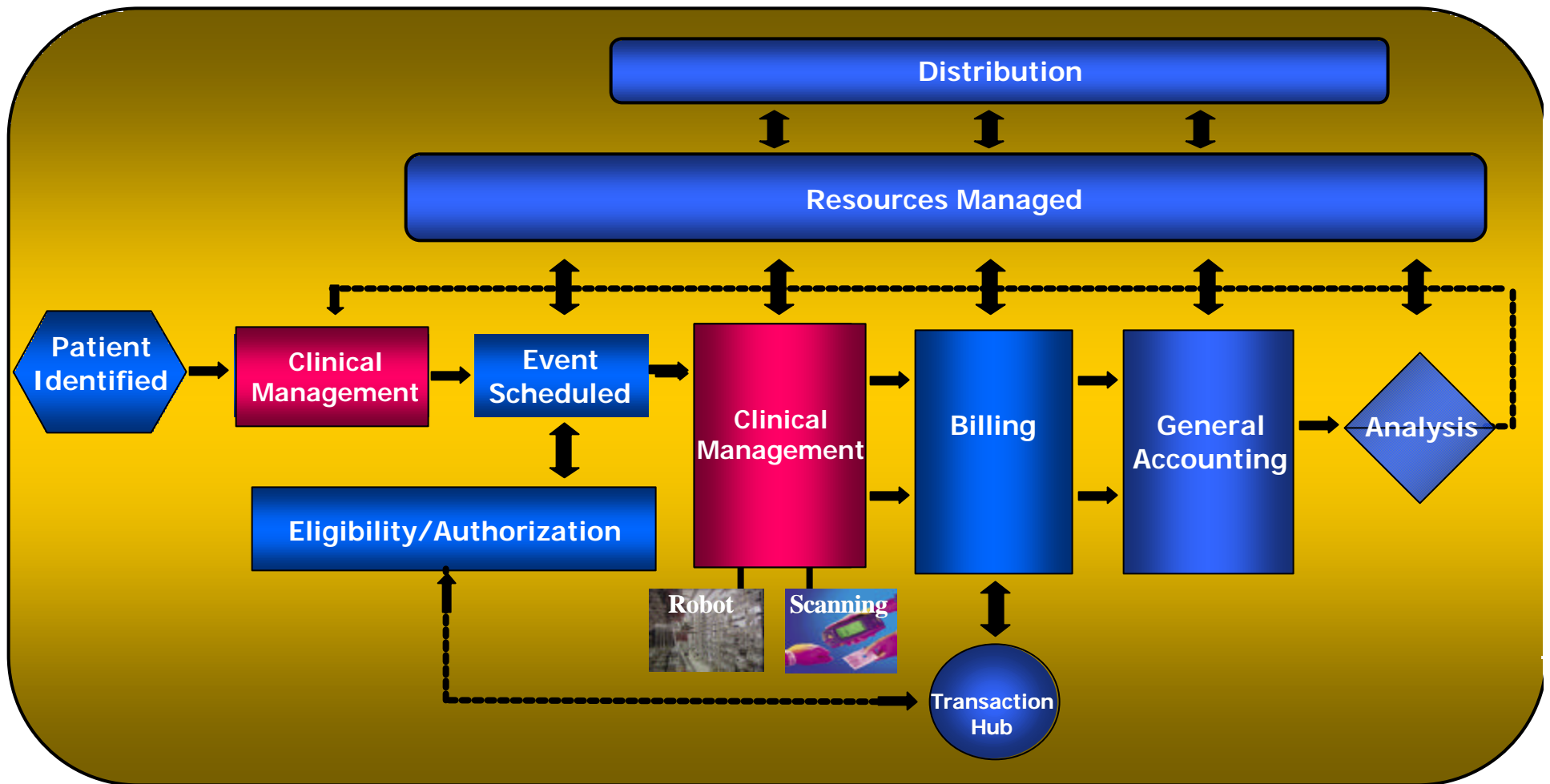
- **Provide core product capabilities to automate the continuum of care**
- **Leverage existing customer investment**
- **Open, service oriented architecture**
- **Incrementally deploy modular applications**
- **Proven, documented ROI for all major components of the system**
- **Implementation and re-engineering services to assure success**

Automating the Continuum of Care

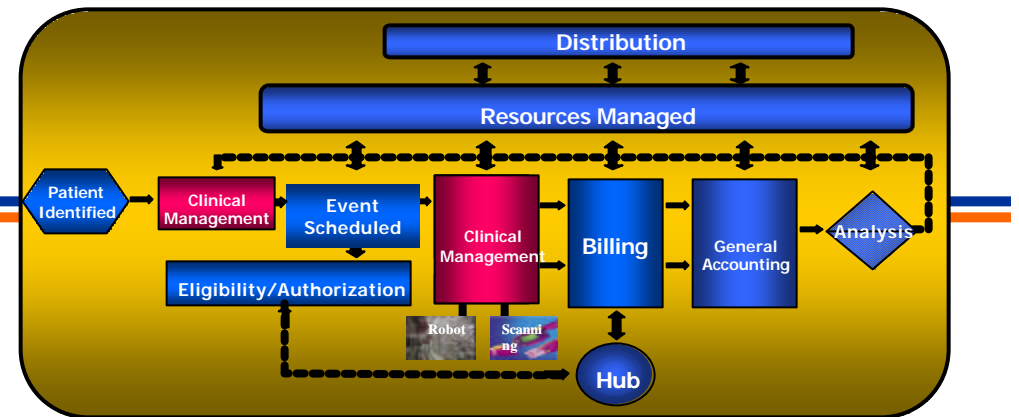
Closed Loop Care



Closed Loop Care Clinical Management



Horizon Clinicals



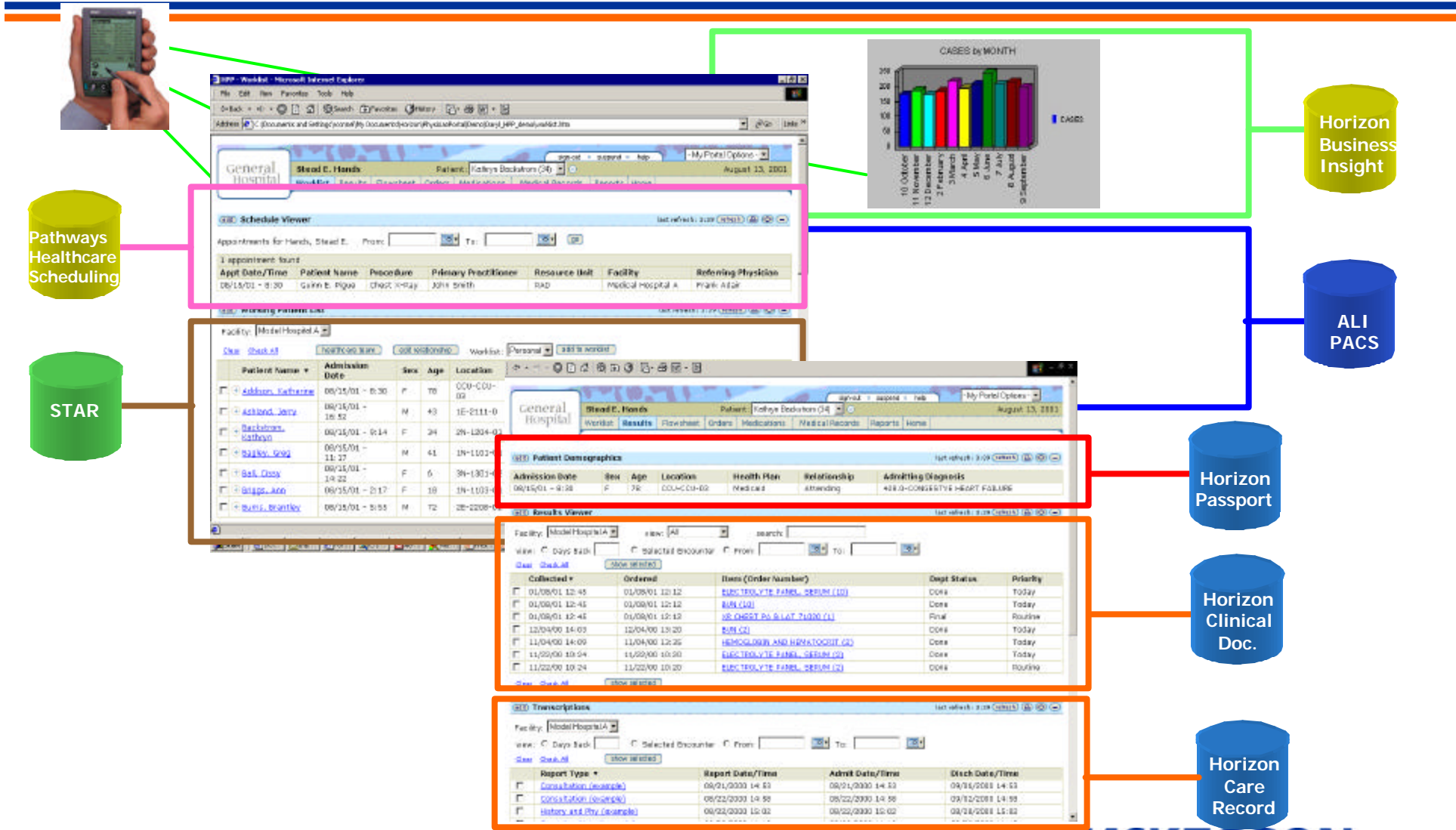
- Physician Access to Patient Information
- Comprehensive Solution for Medication Safety
- Closed Loop Medical Imaging Management
- Evidence-Based Orders to Reduce Variability of Care

Physician Access to Patient Information

- Patient information anywhere, anytime
- Access to all relevant patient information
 - Results
 - Medications
 - Problems
 - Orders
- Cross episodic
- Access to images
- Customized by physician



Horizon^{WP} Physician Portal & Horizon MobileCare



MCKESSON

Empowering Healthcare 35

Access Anytime

The Portable

McKesson Strategy

- Incrementally deploy modular applications
- Open, service oriented architecture

- Medications
- Allergies
- Vitals, Fluids
- Reminders and Alerts

- Wired or docked
- Palm or PocketPC



MCKESSON

Empowering Healthcare 36

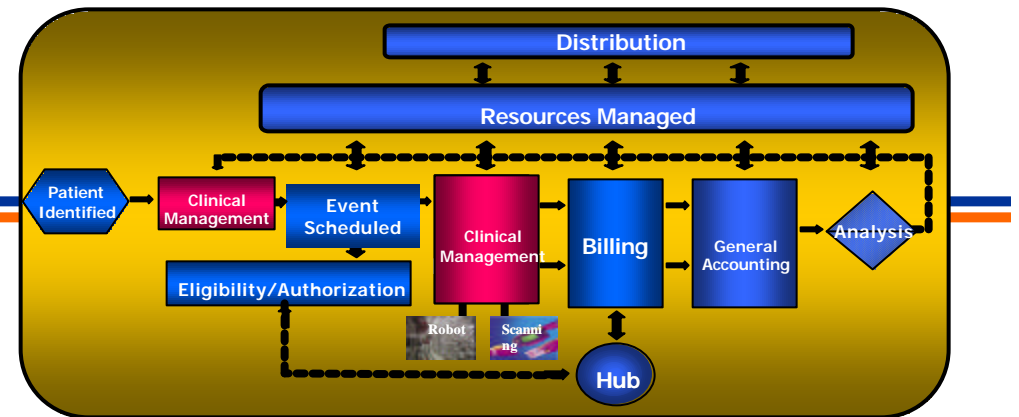
Customer Success

Physician Access

- **Providence Healthcare**
 - 800+ log-ins per day
- **Northside Hospital – Atlanta, GA**
 - 275 log-ins per day
- **Memorial University Hospital – Savannah, GA**
 - 600 log-ins per day

20,000 Registered Users
Training Time – 10 minutes

Horizon Clinicals



- Physician Access to Patient Information
- Comprehensive Solution for Medication Safety
- Closed Loop Medical Imaging Management
- Evidence-Based Orders to Reduce Variability of Care

Horizon Clinicals Closed Loop Medication

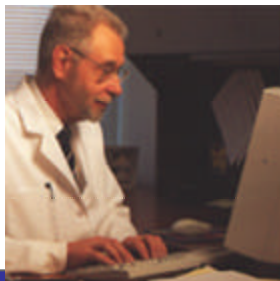


McKesson
Distribution Services

Solutions
Point of

McKesson Strategy

- Incrementally deploy modular applications
- Proven, documented ROI



Horizon
Expert Orders



Horizon
Meds Manager



PakPlus-Rx
Robot-Rx
Acu-Dose-Rx



Horizon
Admin-Rx

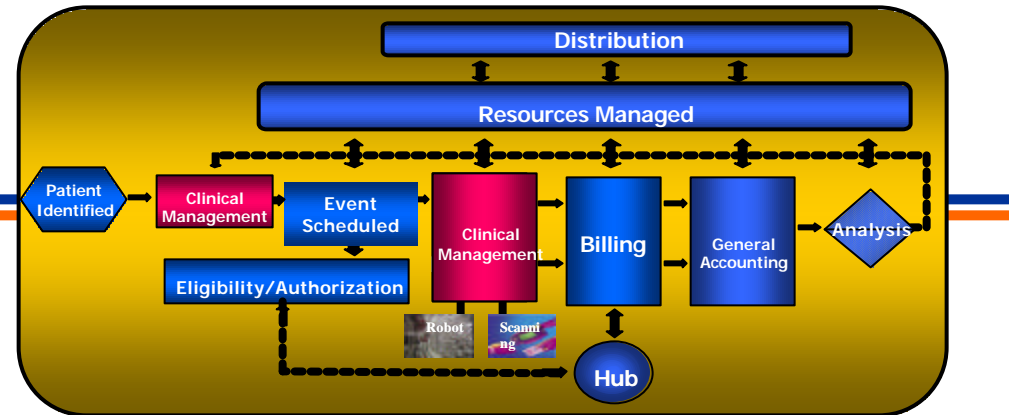


Horizon Care Record
Horizon Care Alerts

MCKESSON

Empowering Healthcare 39

Horizon Clinicals



- Physician Access to Patient Information
- Comprehensive Solution for Medication Safety
- Closed Loop Medical Imaging Management
- Evidence-Based Orders to Reduce Variability of Care

Horizon Clinicals

Closed Loop Medical Image Management

Today's Problems:

- **Cost of Film Management**
- **Elapsed Time Between Order and Result**
- **Incorrect Procedures Ordered**
- **Patient Identification Errors**
- **Fragmented Workflow**
- **Incomplete Patient Record**



Closed Loop Medical Image Management



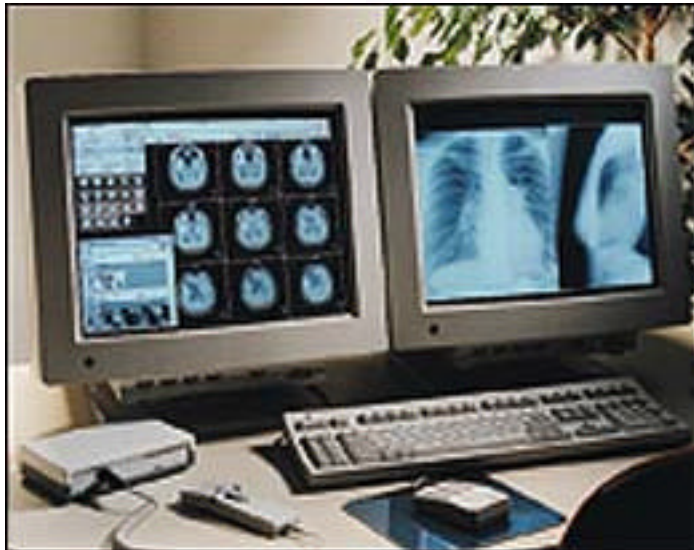
Improved Patient Preparation
Interactive clinical decision support

Maximizing patient Convenience
Optimized Asset utilization
Conflict checking

Improved Patient Safety with modality worklists
Enhanced scanning protocols
Care Team Communication
Increased operational efficiencies

Enhanced Diagnostics
Workflow efficiencies
Integrated reporting
Access to complete medical record

ALI Provides Diagnostic Interpretation



- **Expands the Horizon Clinical Solution to include medical imaging**
- **Specialized workflow powered by superior clinical decision support**
- **Augments and complements existing technologies**
- **Tools that improve their workflow!**

MCKESSON

Empowering Healthcare 43

A.L.I. Technologies

Proven, Innovative PACS Provider

■ Company

- Incorporated in 1988
- 260 employees – unparalleled expertise

■ Sales

- US \$25.5 million FY'01 revenue
- 18% R&D reinvestment

■ Highlights

- 500+ systems installed
- Industry leader of ultrasound PACS and enterprise medical imaging
- Unmatched customer satisfaction in the industry
- Track record for competitive success
- Open scalable architecture



MCKESSON

Empowering Healthcare 44

Large Market Opportunity

- **Growing demand for medical imaging**
 - 20% Annual growth
 - \$400 million in 2001 to \$1.1 billion in 2005
 - Over 50 McKesson prospects already identified
- **Robust offering will drive incremental sales**
 - 43% of Horizon Clinical opportunities also looking at medical imaging
 - Creates cross-sell opportunity – i.e., Physician Portal, Patient Folder

Large Market Opportunity

- **Provides a strong entrée point to non-McKesson customers**
 - **McKesson's strong track record of success**
 - Horizon Meds Manager 36% of FY02 sales to non-McK
 - Horizon Patient Folder 46% of FY02 sales to non-McK
 - **A.L.I. installed at Siemens, Cerner and Eclipsys sites**
- **Medical imaging is a compelling driver during clinical system selection**

Closed Loop Medical Image Management



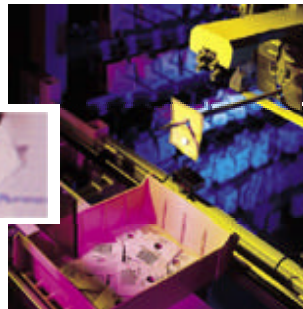
Order Entry

Improved Patient Preparation
Interactive clinical decision support



Scheduling

Maximizing patient Convenience
Optimized Asset utilization
Conflict checking



Perform Study

Improved Patient Safety with modality worklists
Enhanced scanning protocols
Care Team Communication
Increased operational efficiencies



Diagnostic Interpretation

Enhanced Diagnostics
Workflow efficiencies
Integrated reporting
Access to complete medical record



Information Distribution

Faster response for patient treatment
Improved result access
Longitudinal Record
Improved Quality & Outcomes

Closed Loop Medical Image Management

The Complete View of the Patient

The screenshot displays a 'Physician Portal' interface. On the left, the 'EDIT Results Viewer' shows a table of lab results. A green box highlights a portion of this table. In the center, a line graph titled 'Temperature (02/03/2001 00:00 - 04/04/2001 16:04)' shows temperature fluctuations over time. A red box highlights a section of the interface containing two chest X-ray images. The bottom of the screen shows a Windows taskbar with various application icons and the time 4:07 PM.

RsltLvl	Collected	Ordered	Item (Order Number)	Dept Status	Priority
<input type="checkbox"/>	03/14/01 2042	03/14/01 2026	CHEMISTRY PANEL (41)	Done	ROUTINE
<input type="checkbox"/>	03/14/01 2040	03/14/01 2026	ARTERIAL BLOOD GAS (42)	Done	STAT
<input type="checkbox"/>	03/14/01 2035	03/14/01 2036	CBC WITH DIFF (43)	Partial	STAT
<input type="checkbox"/>	03/12/01 2123	03/12/01 2223	COMPLETE BLOOD COUNT (5)	Done	STAT
<input type="checkbox"/>	03/13/01 0557	03/13/01 0610	CBC WITH DIFF (9)	Done	ROUTINE
<input type="checkbox"/>	03/13/01 0605	03/13/01 0628	CBC WITH DIFF (11)	Done	ROUTINE
<input type="checkbox"/>	03/13/01 0903	03/13/01 0904	SMAC (12)	Done	STAT
<input type="checkbox"/>			ARTERIAL BLOOD GAS (10)	Done	STAT
<input type="checkbox"/>			CHEST PA LAT 71020	RPT READ	ROUTINE
<input type="checkbox"/>			CULTURE, RESPIRATORY	Done	ASAP

Discrete Data

- Lab
- Vitals - I&Os

Documents

- History & Physical
- Discharge Summary

Medical Images

Closed Loop Medical Image Management



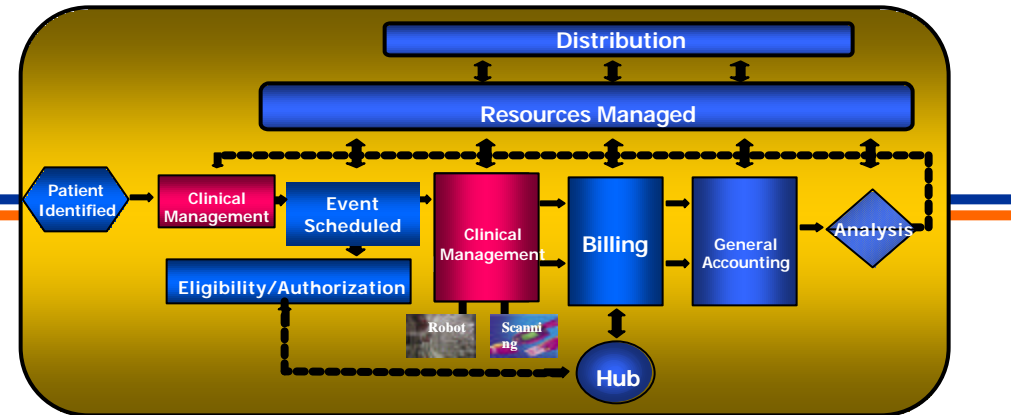
McKesson Strategy

- Incrementally deploy modular applications
- Automate the continuum of care
- Open, service oriented architecture

MCKESSON

Empowering Healthcare 49

Horizon Clinicals



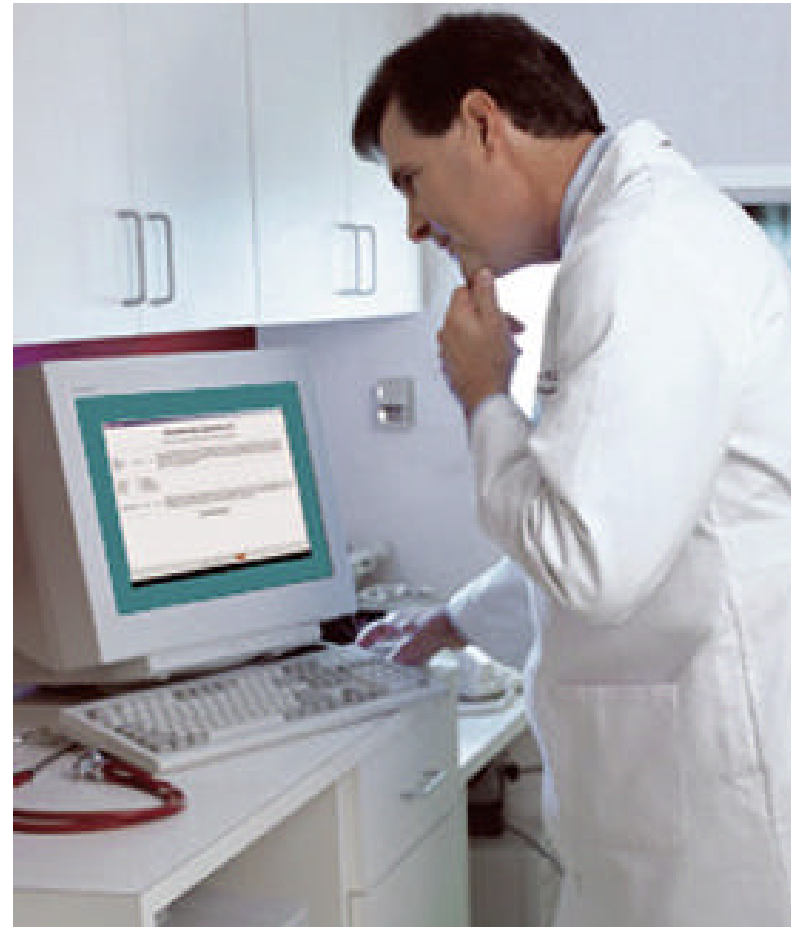
- Physician Access to Patient Information
- Comprehensive Solution for Medication Safety
- Closed Loop Medical Imaging Management
- Evidence-Based Orders to Reduce Variability of Care

Horizon Clinicals

Reduce Variability of Care

Today's Problems:

- Variations cost \$250 billion a year
- Care variation is discovered retrospectively
- 80% of healthcare dollar determined by care providers at the point of care
- 22,000 new journal articles each year
- 30+ new prescription drugs each year



MCKESSON

Empowering Healthcare 51

Horizon Clinicals

Reduce Variability of Care

➤ **Real time Clinical Decision Support**

- Heads up display
- Just in time advisor
- Personal Assistant
- Vigilant Aid

➤ **Horizon Knowledge Center**

- 933 Order Sets
- 6,250 Clinical Orderables
- All clinical disciplines

Customer Success

Horizon Expert Orders



Vanderbilt Univ

McKesson Strategy

- Open, service oriented architecture
- Proven, documented ROI

- 15,000+ orders generated
- 600+ treatment advices generated per day with about 25% resulting in a change
- \$ 5+ million annual reduction in pharmacy costs, excluding the value of ADE prevention
- \$ 1+ million annual reduction in x-rays
- Substantial improvements in compliance and outcomes

\$ 7+ million annualized bottom line impact

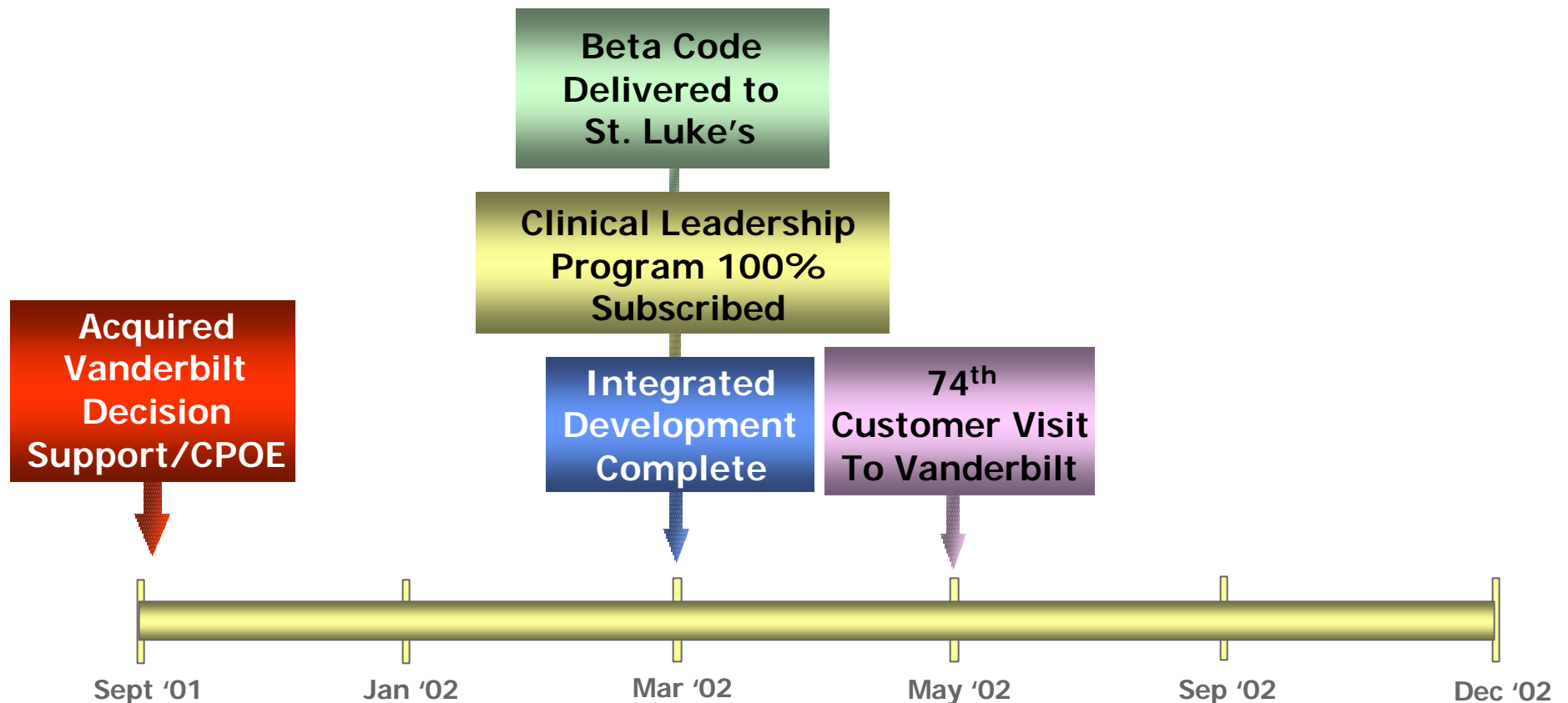
MCKESSON

Empowering Healthcare 53

Horizon Clinicals

Reduce Variability of Care

■ Horizon Expert Orders



MCKESSON

Empowering Healthcare 54

Kay Carr
Senior Vice-President, CIO

St. Luke's Episcopal Health System
Houston, TX

St. Luke's Episcopal Health System

- **Community teaching hospital and tertiary referral center**
- **Affiliated with the Texas Heart Institute**
- **625 beds in operation:**
 - **30,000 annual admissions**
 - **800 active physicians**
 - **23 clinics - approximately 300 physicians and 1M+ visits**
 - **New 80 bed inpatient facility will open in 2003**
- **Recognitions include:**
 - **US News and World Report-Top 10 Cardiovascular Hospital**
 - **HCIA-Sachs 100 Top Orthopedic Hospital**
 - **Most Wired Hospital**
 - **Fortune 100 Best Employers**
 - **First ANA Magnet Hospital in Texas**

McKesson and St Luke's

- **Majority of the mission critical systems acquired over the last 6 years are McKesson including**
 - Patient information, scheduling and accounting
 - Pharmacy
 - Materials Management
 - Home Health
 - Clinical Documentation and Medication Administration
 - PACS – Current user of ALI
- **Over the last 2 years, McKesson has demonstrated a renewed focus on**
 - Retooling and executing their vision to more closely align with customer strategies
 - Listening and responding to customer concerns and input
 - Meeting support commitments
- **During Tropical Storm Allison last June, McKesson went above & beyond to support patient care**

Clinical Initiatives

■ Quality of Care

- Support evidence based medicine
- Focus on preventing adverse events
- Provide a single view of patient care activities

■ Resource Management

- Automate clinical protocols
- Reduce redundant or not clinically indicated test/procedures
- Integrate information from many clinical systems
- Support productivity initiatives

■ Growth

- Control of length of stay
- Create increased capacity

Why Horizon Expert Orders?

- **Physician directive to use automation to address potential patient safety issues**
- **Attempted to do it ourselves and discovered complexity of logic**
- **Strong desire to leveraging existing investment in clinical foundation**
- **Physicians and executive team impressed with Horizon Expert Orders**
 - **Vanderbilt experience and results from years of physician participation**
 - **Intellectual as well as workflow focus**
- **McKesson's vision compatible with St. Luke's**

Horizon Expert Orders

Current Status

- **Testing latest version of software, continuing content review and workflows**
- **Implementation plan**
 - **Product Delivered on Time**
 - March, 2002
 - **Month 4 – Go live with initial group of orthopedic surgeons**
 - July, 2002
 - **Month 6 – Train and rollout to entire orthopedic unit**
 - September, 2002
 - **Month 7 - Implement Interventional Cardiology Unit**
 - October, 2002
 - **Month 10 – Additional units**
 - January, 2003
- **Plan on schedule – staff enthusiastic**

McKesson Customers

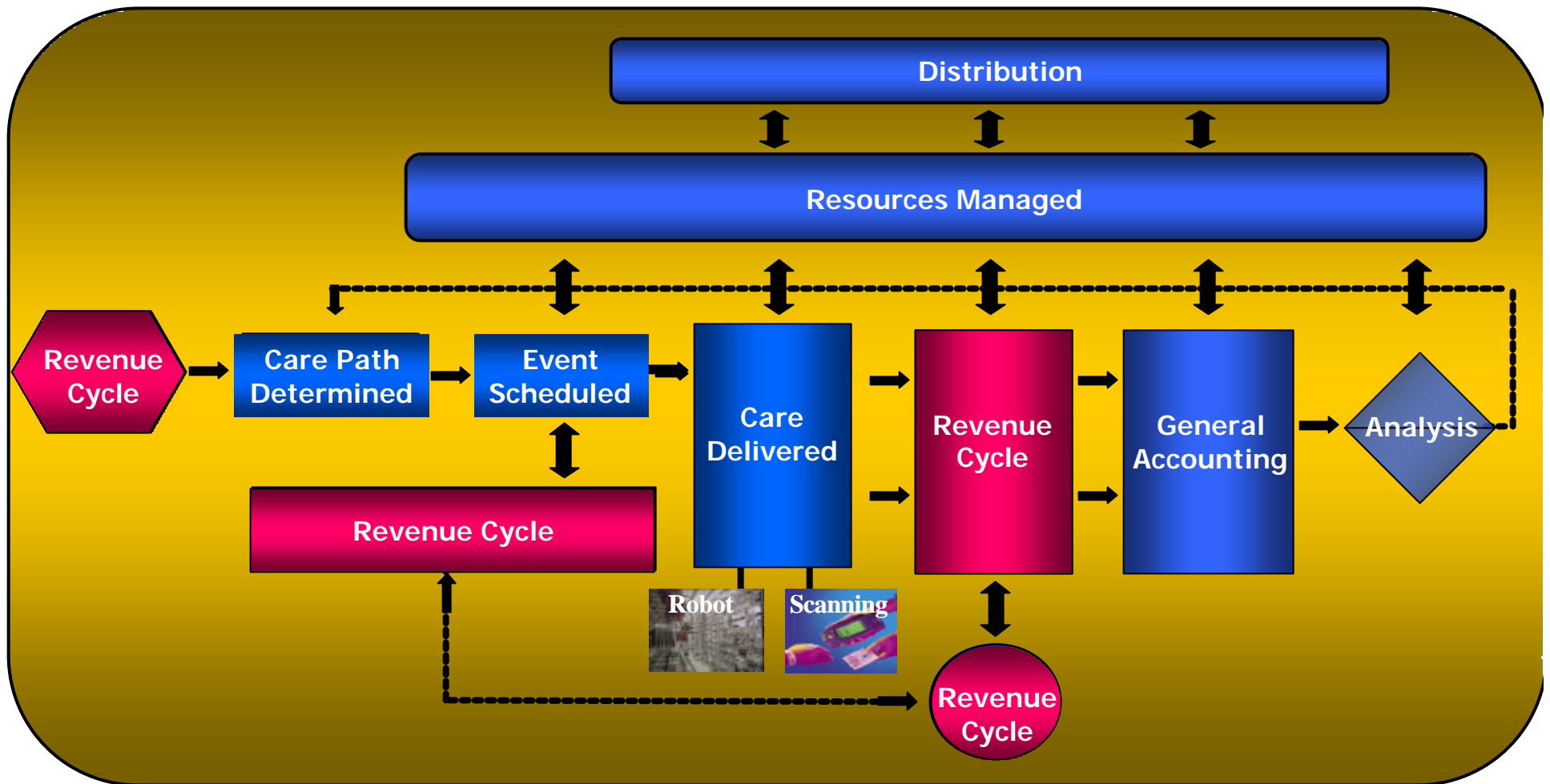
Clinical Opportunity

(Billions)	<u>25% of HIS</u>	<u>75% of HIS</u>
Physician Access	\$0.3	\$0.9
Variability of Care	\$0.6	\$1.8
Closed Loop Med. Mgt.	\$0.4	\$1.0
Closed Loop Image Mgt.	\$0.6	\$1.8
Addtl. Clinical Product Units	<u>\$0.5</u>	<u>\$1.6</u>
Total	\$2.4	\$7.1

Opportunity includes S/W, H/W, Services, Maintenance

Closed Loop Care

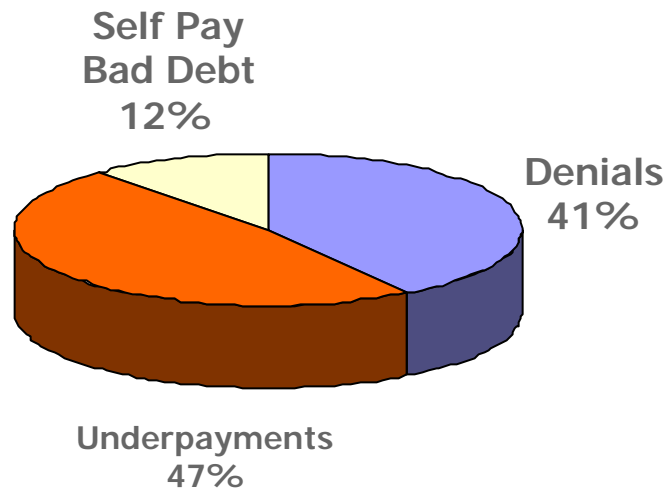
Revenue Cycle Management



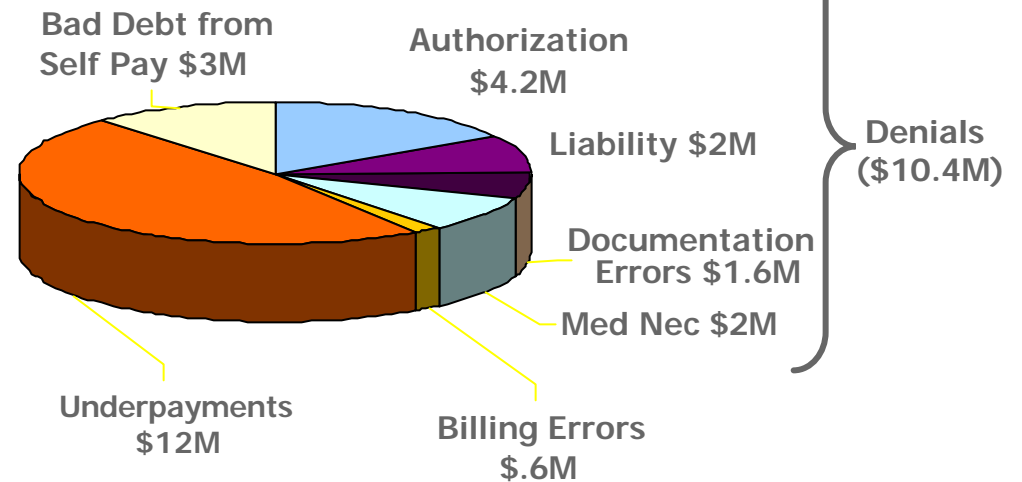
Revenue Cycle Management

Today's Problems

Problem Areas



Lost Revenue



Average Annual Losses = \$25.4 million
For a Hospital with a Operating Expense
of \$200 million

Source: Health Care Advisory Board, Zimmerman & Associates, HFMA
 and customer experience
 Based on hospital with average average payor mix

MCKESSON

Empowering Healthcare 63

Revenue Cycle Management Account Services



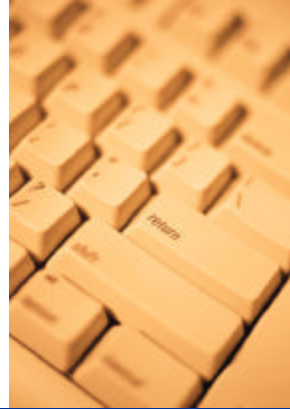
**Eligibility
Referrals**



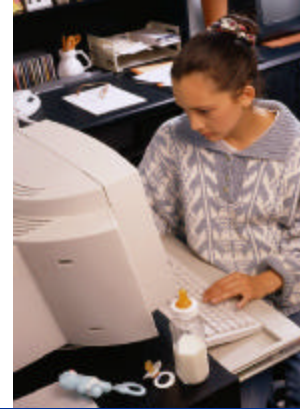
Passport



**Resource
Scheduling**



**ADT Outpatient
Registration**



Authorization

Revenue Cycle Management Claims Management

McKesson Strategy

- Incrementally deploy modular applications
- Proven, documented ROI
- Leverage existing investments



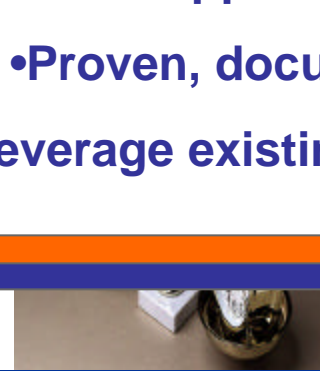
**Compliance
Advisor**



**Transaction
Solution Hub**



EC2000



**Denial
Tracking**



**Contract
Management**

MCKESSON

Empowering Healthcare 65

Customer Success

Revenue Cycle Management

■ Million Dollar Club

- 29 customer have recovered in excess of \$1M
 - Rex Healthcare – Raleigh, NC
 - Sioux Valley Hospital – Sioux Falls, ND
 - St. Mary's Health System – Knoxville, TN
 - Community Hospital – Munster, IN
 - Providence Health System – Portland, OR

■ Wellmont (TN) - Claims Administrator and Contract Management

- Reduced DSO by 8 Days
- Improved Cash on Hand by \$10 million
- Recognized \$37 million in underpayment recovery

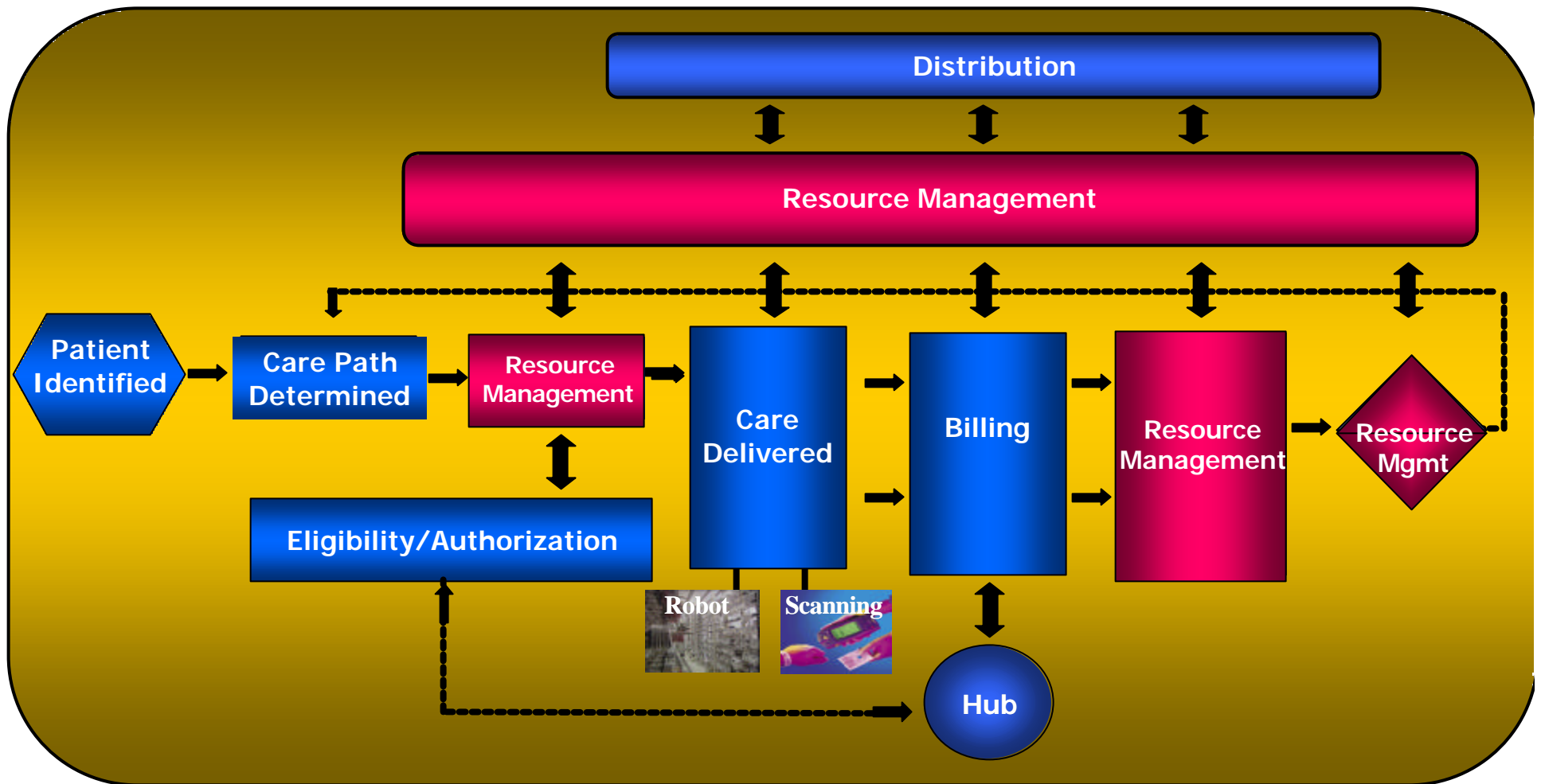
McKesson Customers

Revenue Cycle Opportunity

(Billions)	<u>25% of HIS</u>	<u>75% of HIS</u>
TSH (Eligibility, Referrals & Claims)	\$0.4	\$1.3
EC2000 & Statements	\$0.06	\$0.2
Compliance Advisor	\$0.1	\$0.4
PCON	\$0.05	\$0.1
Legacy Trendstar (Upgrade)	\$0.06	\$0.2
Horizon Business Insight	<u>\$0.3</u>	<u>\$0.8</u>
Total	\$1.0	\$3.0

Opportunity includes S/W, H/W, Services, Maintenance

Closed Loop Care Resource Management



Closed Loop Resource Management

McKesson Strategy

- Incrementally deploy modular applications
- Implementation and reengineering services to assure success



McKesson Distribution Services



- eCrossLink
- PDS
- Horizon BI
- McKesson Consulting Services

- Horizon Supply Source
- HSM
- PMM
- SupplyScan
- Supply Management

- OPTIMA
- OptiPak
- SupplyScan
- HSM
- PMM

- Horizon Business Intelligence
- Pathways Decision Support

- PMM
- Supply Management On-line
- New Financial Solution

MCKESSON

Empowering Healthcare 69

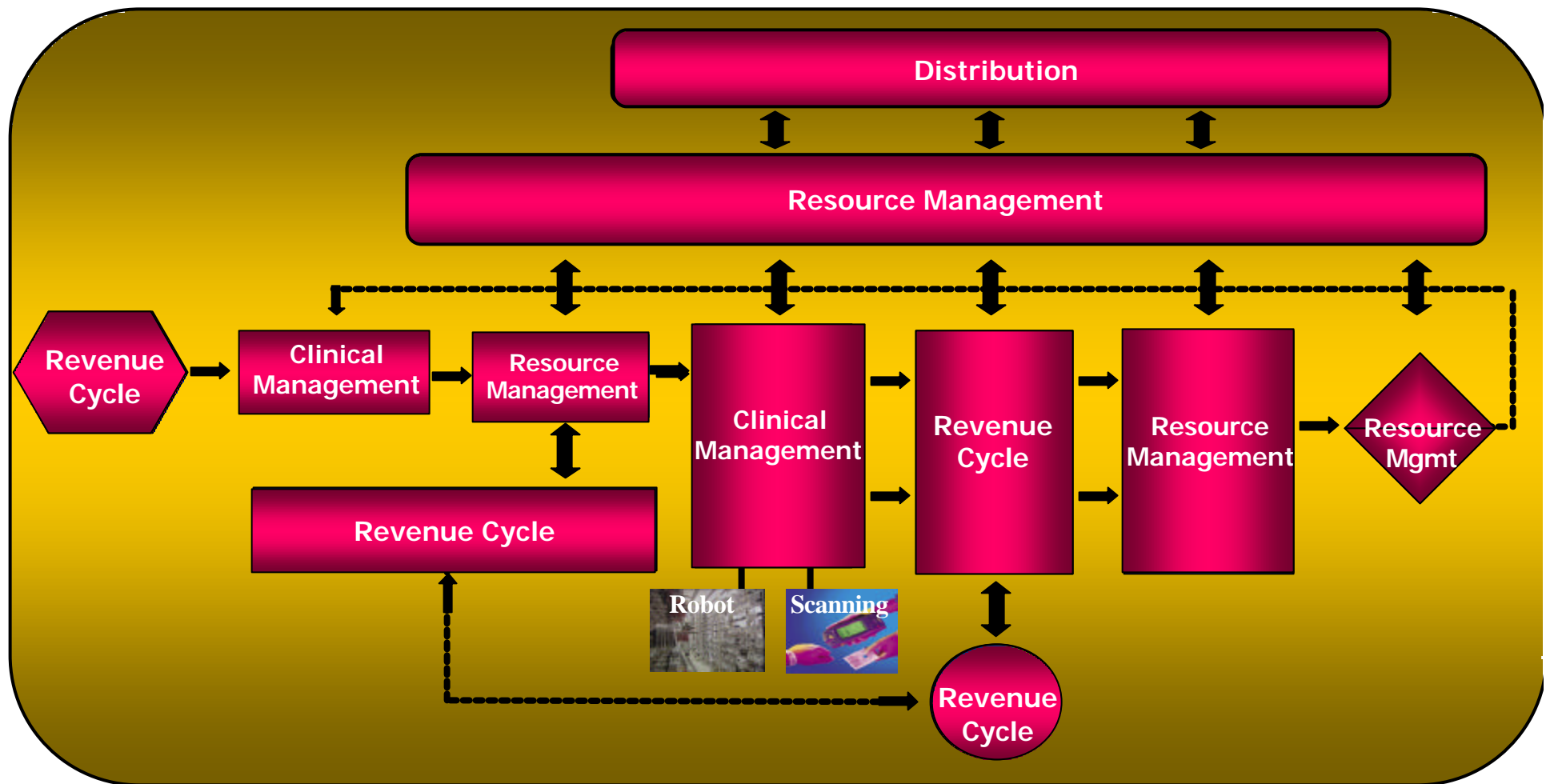
McKesson Customers

Resource Management Opportunity

(Billions)	<u>25% of HIS</u>	<u>75% of HIS</u>
Legacy Surgical Products (Upgrade)	\$0.08	\$0.2
Horizon/Pathways Surgical Products	\$0.05	\$0.2
Legacy Materials Products (Upgrade)	\$0.07	\$0.2
Horizon/Pathways Materials Products	\$0.05	\$0.1
All Scheduling Products	<u>\$0.1</u>	<u>\$0.3</u>
Total	\$0.3	\$1.0

Opportunity includes S/W, H/W, Services, Maintenance

Closed Loop Care



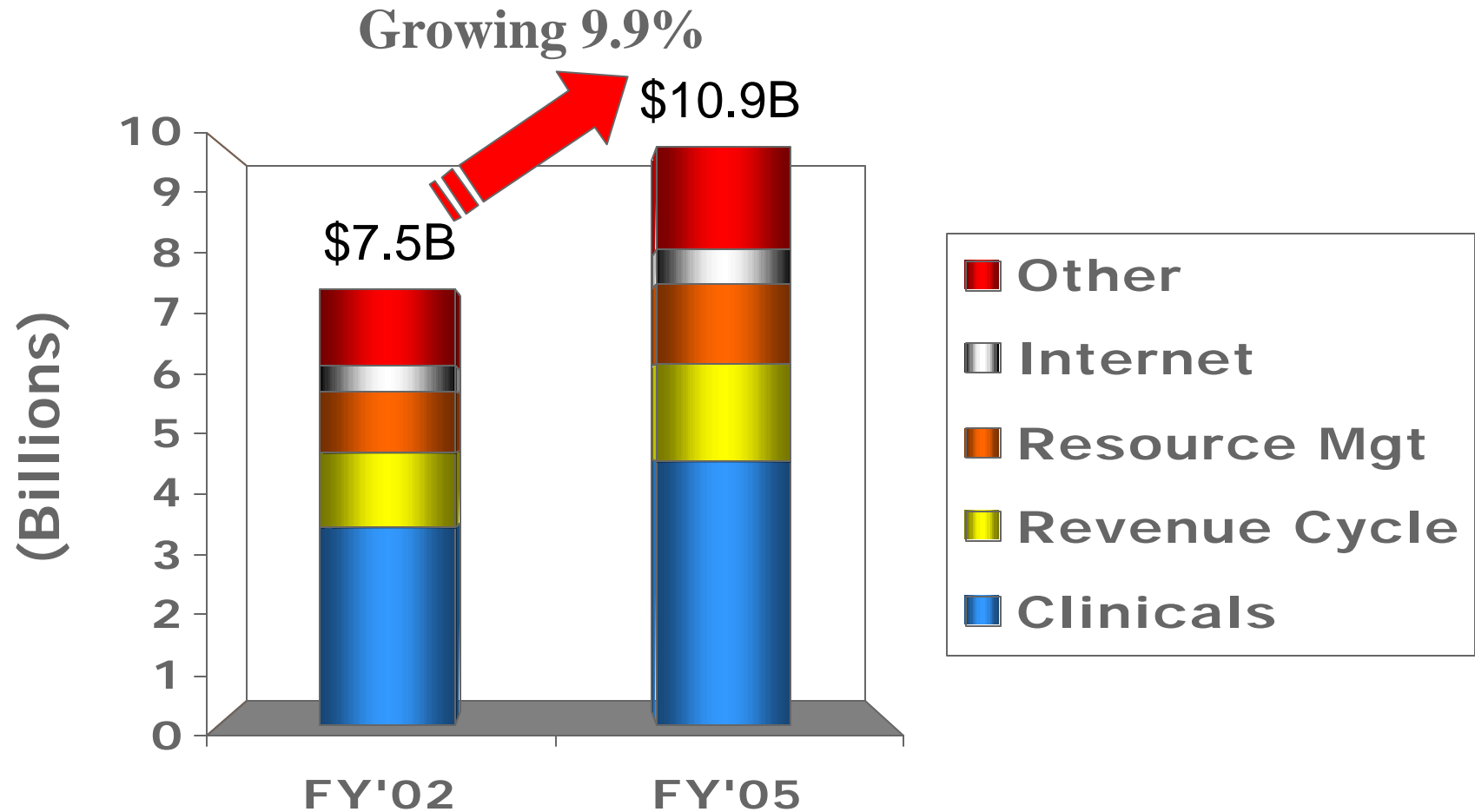
McKesson Strategy

- ✓ **Provide core product capabilities to automate the continuum of care**
- ✓ **Open, service oriented architecture**
- ✓ **Incrementally deploy modular applications**
- ✓ **Implementation and re-engineering services to assure success**
- ✓ **Proven, documented ROI for all major components of the system**
- ✓ **Leverage existing customer investment**

Agenda

- **MIS Update**
- **Product Solution Strategies**
- **Outlook . . . Continued Revenue Growth and Margin Expansion**
 - **Market Opportunity**
 - **Strategies to Grow Revenue**
 - **Strategies to Expand Margin**

Market Opportunity . . . Excellent



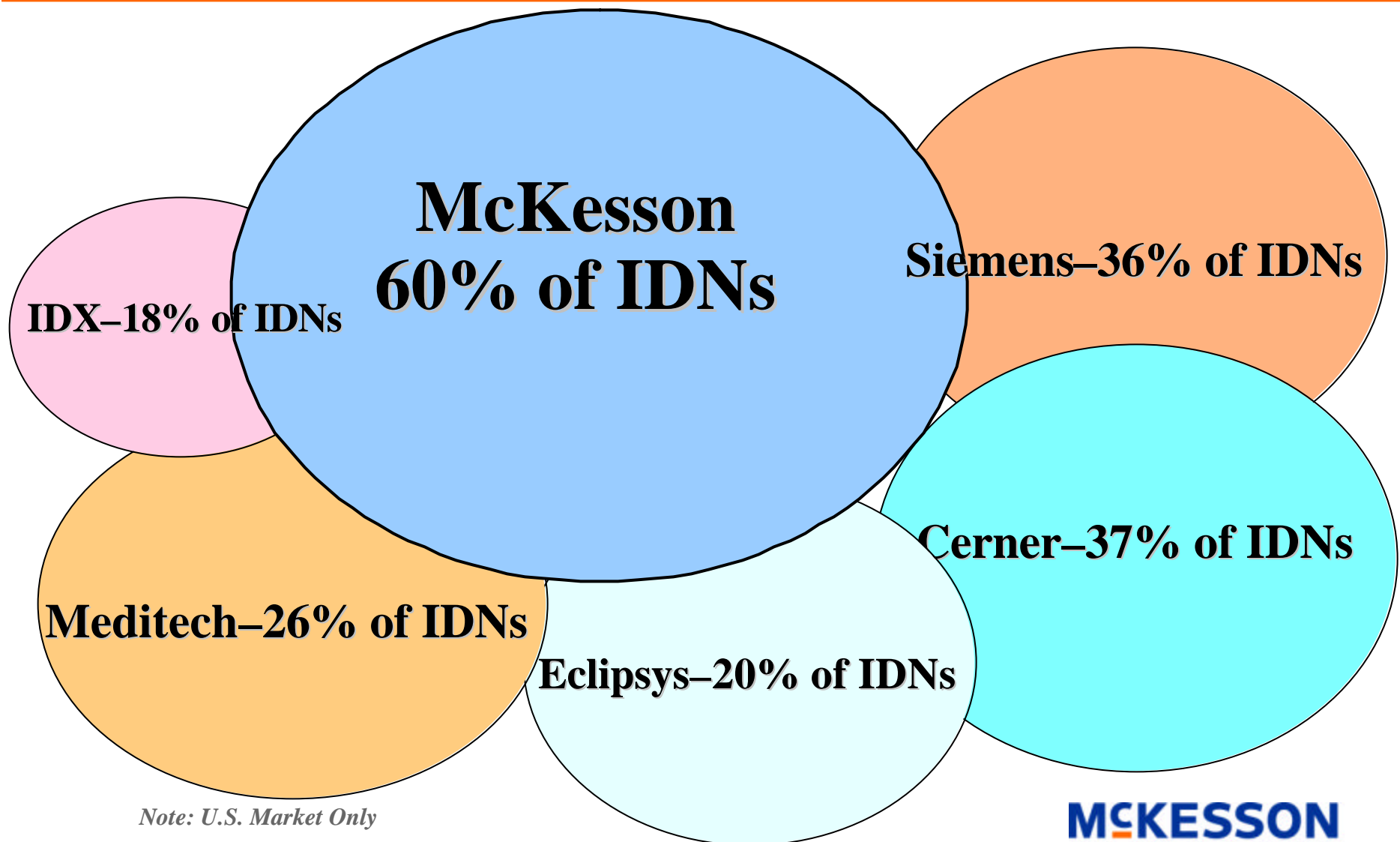
*External IT spending for USA care delivery organizations
Source: Gartner Group MIS requested report

MCKESSON

Empowering Healthcare 74

Market Opportunity

Largest Customer Base . . . Leader



Note: U.S. Market Only

Source: Dorenfest Database - April 2002

MCKESSON

Empowering Healthcare 75

Market Opportunity

Prestigious/Large Customers . . . Leader

Bed Size	Total Hospitals	MIS Hospitals*	MIS Market Presence %
500+	422	265	63%
200-500	1,278	594	46%
<200	2,787	634	23%
Total	4,487	1,493	33%

Primary MIS target market = 51%

Note: An MIS hospital indicates installed HIS system
Source: HCFA and BU managers

MCKESSON

Empowering Healthcare 76

Market Opportunity

McKesson Customer Base = Large Opportunity

(Billions)	<u>25% of HIS</u>	<u>75% of HIS</u>
Clinical	\$2.4	\$7.1
Revenue Cycle	\$1.0	\$3.0
Resource Management	\$0.3	\$1.0
Services	<u>\$2.0</u>	<u>\$5.9</u>
Total	\$5.7	\$17.0

Opportunity includes S/W, H/W, Services, Maintenance

Agenda

- **Outlook . . . Continued Revenue Growth and Margin Expansion**
 - **Market Opportunity**
 - **Strategies to Grow Revenue**
 - **Strategies to Expand Margin**

Strategies to Grow Revenue

Strategy	Status
New Product Introductions	17 Key Announcements for FY'02 and FY'03

Strategies to Grow Revenue

Continue New Product Introductions

FY'02 New Products

- **Horizon Foundation**
- **Horizon Physician Portal**
- **Horizon Care Record**
- **Horizon Meds Manager**
- **WebTREND**
- **Horizon Surgical Manager**
- **Home Health Portal**
- **STAR and Series Horizon Enablers**

FY'03 Planned GA Products

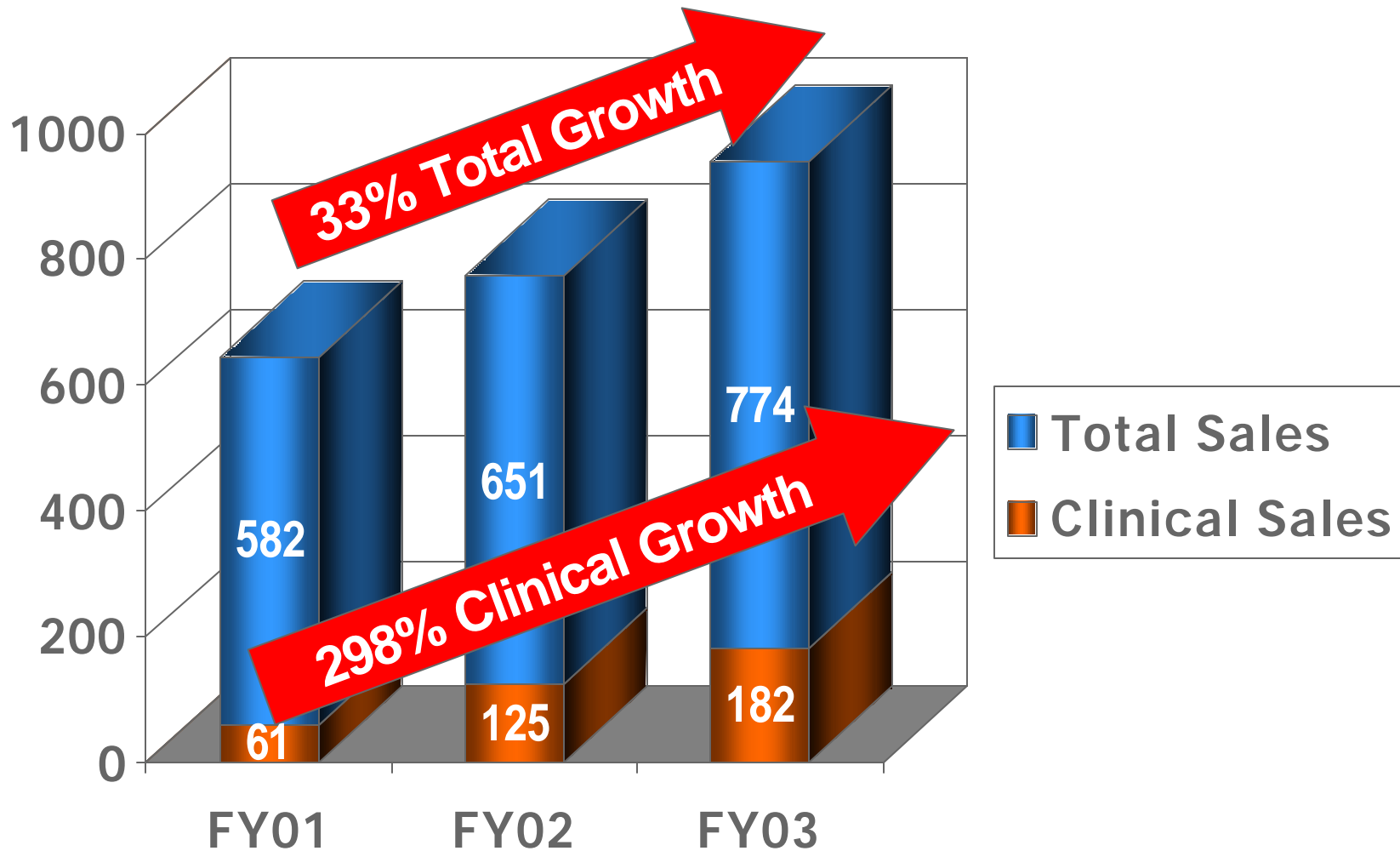
- **Horizon Expert Orders**
- **Horizon Medical Imaging**
- **Horizon Emergency Care**
- **Horizon Community Portal**
- **Horizon Supply Source**
- **Horizon Business Folder**
- **Revenue Cycle Account Services**
 - **Electronic Eligibility & Authorizations**
 - **Credit Checking**
- **Horizon Homecare Advanced Clinicals**

Strategies to Grow Revenue

Strategy	Status
New Product Introductions	17 Key Announcements for FY'02 and FY'03
Grow Sales Organization	In Process

Strategies to Grow Revenue

Grow Size of Sales Organization



Strategies to Grow Revenue

Strategy	Status
New Product Introductions	17 Key Announcements for FY'02 and FY'03
Grow Sales Organization	In Process
Grow Professional Services	In Process

Strategies to Grow Revenue

Grow Professional Services

- **Grow Professional Services:**
 - **Clinical Implementation Manpower**
 - FY'01 to FY'03 up 100%
 - **Consulting Manpower**
 - FY'01 to FY'03 up 40%

Strategies to Grow Revenue

Strategy	Status
New Product Introductions	17 Key Announcements for FY'02 and FY'03
Grow Sales Organization	In Process
Grow Professional Services	In Process
Increase Sales Outside McKesson Customer Base	Making Progress

Strategies to Grow Revenue

Increase Sales Outside McKesson Customer Base

- **Increase Sales Teams**
 - **Enterprise Systems**
 - **Departmental Systems**
 - **Total Planned Increase (FY'01 – FY'03)**
 - **Manpower FY'01 - 26**
 - **Manpower FY'03 - 70**
 - **Growth – 269%**

Strategies to Grow Revenue

Increase Sales Outside McKesson Customer Base

■ Increase Sales Teams

- Enterprise Systems
- Departmental Systems
- Total Planned Increase (FY'01 – FY'03)
 - Manpower FY'01 - 26
 - Manpower FY'03 - 70
 - Growth – 269%

■ Sales Outside McKesson Customer Base (FY'02)

- Document Imaging 32%
- Pharmacy 36%
- Surgical Manager 25%
- Homecare 31%
- Medical Imaging 40%*

*Planned

MCKESSON

Empowering Healthcare 87

Agenda

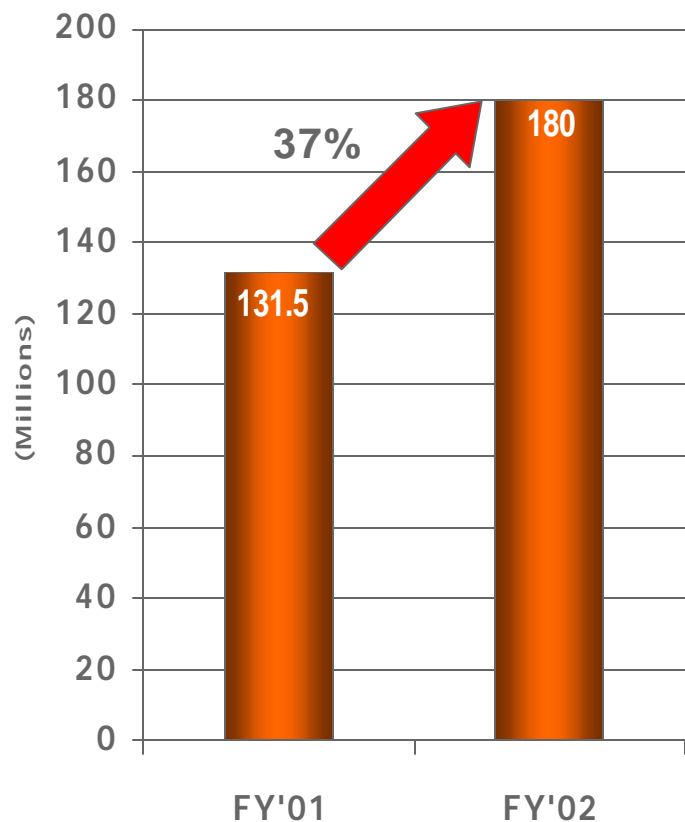
- **Outlook . . . Continued Revenue Growth and Margin Expansion**
 - **Market Opportunity**
 - **Strategies to Grow Revenue**
 - **Strategies to Expand Margin**

Strategies to Expand Margin

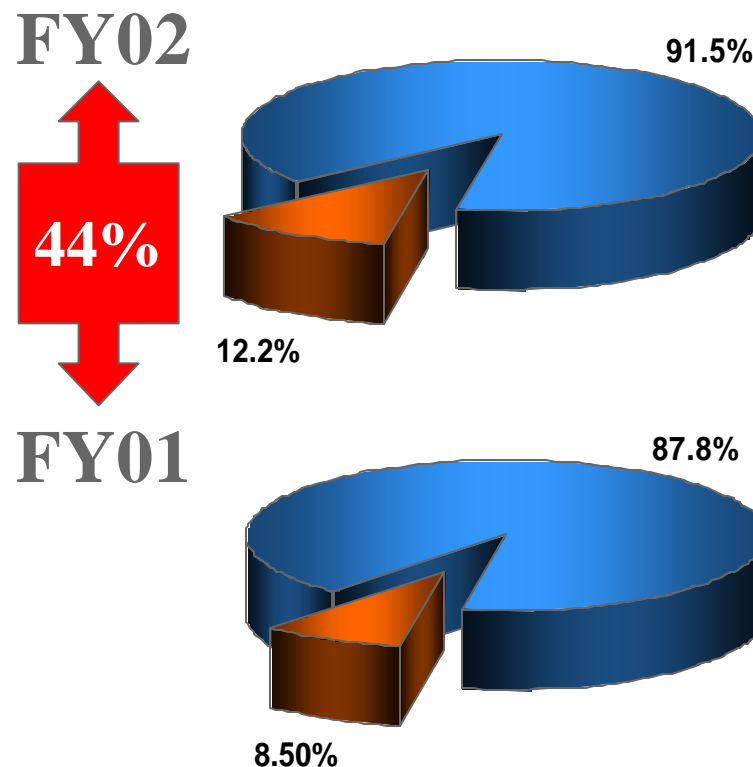
Strategy	Status
Improve Revenue Mix	Software Sales Growing

Strategies to Expand Margin

Improve Revenue Mix . . . Software Sales Growing



One-Time Software Bookings



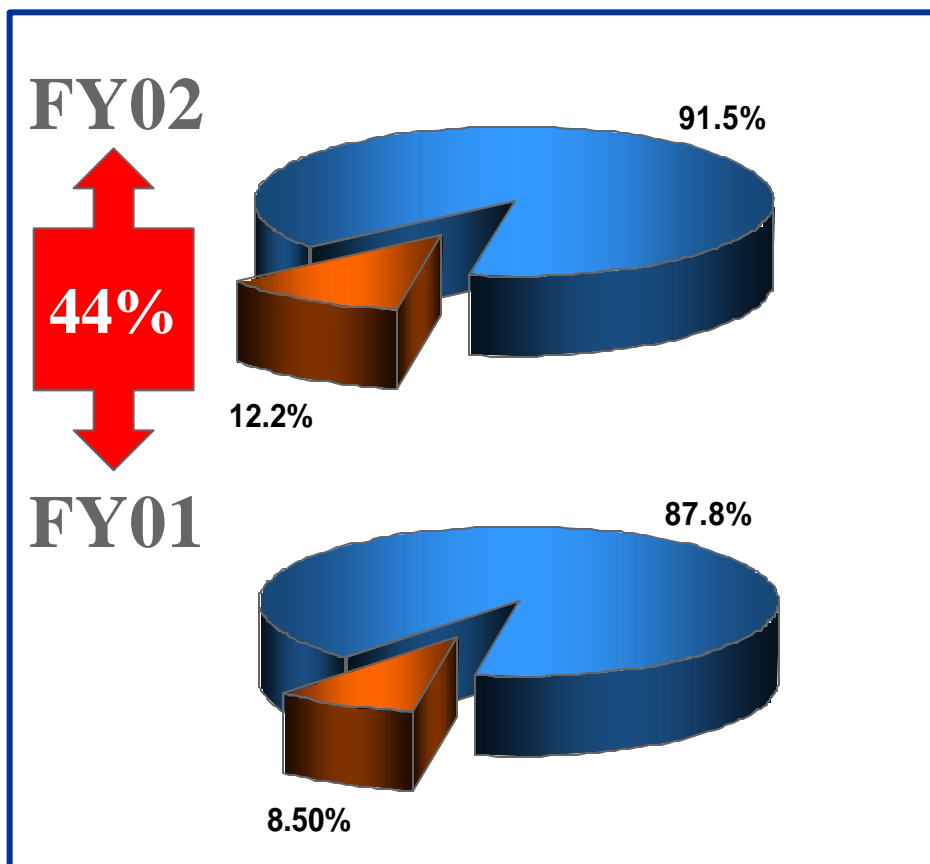
One-Time Software Percent of Revenue

MCKESSON

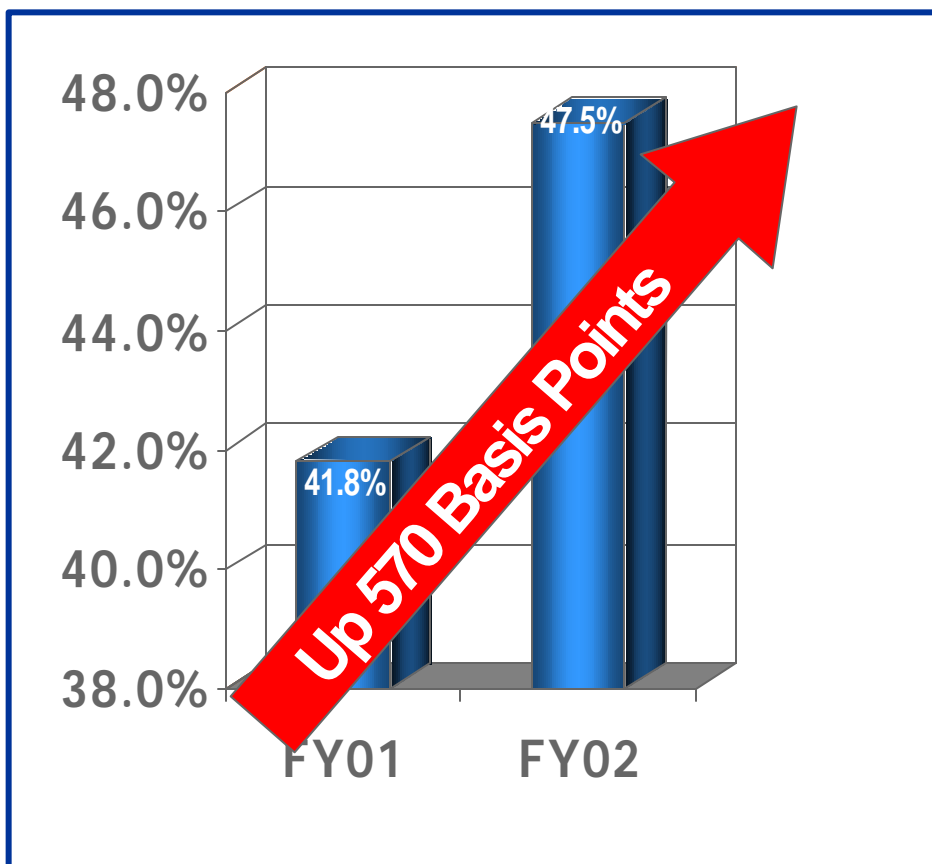
Empowering Healthcare 90

Strategies to Expand Margin

Improve Revenue Mix . . . Software Sales Growing



One-Time Software
Percent of Revenue



Resulting Improvement
to Gross Margin

MCKESSON

Empowering Healthcare 91

Strategies to Expand Margin

Strategy	Status
Improve Revenue Mix	Software Sales Growing
Leverage Existing Infrastructure	Good Progress

Strategies to Expand Margin

Leverage Existing Infrastructure . . . Good Progress

■ Increasing Productivity

- Greater Specialization of Sales Organization
- Standardize Development Tools, Processes, and Metrics
- Support Center Processes, and Methodology

Strategies to Expand Margin

Leverage Existing Infrastructure . . . Good Progress

■ Increasing Productivity

- Greater Specialization of Sales Organization
- Standardize Development Tools, Processes, and Metrics
- Support Center Processes, and Methodology

■ Greater Use of Technology

- PeopleSoft
- SAP

Strategies to Expand Margin

Leverage Existing Infrastructure . . . Good Progress

■ Increasing Productivity

- Greater Specialization of Sales Organization
- Standardize Development Tools, Processes, and Metrics
- Support Center Processes, and Methodology

■ Greater Use of Technology

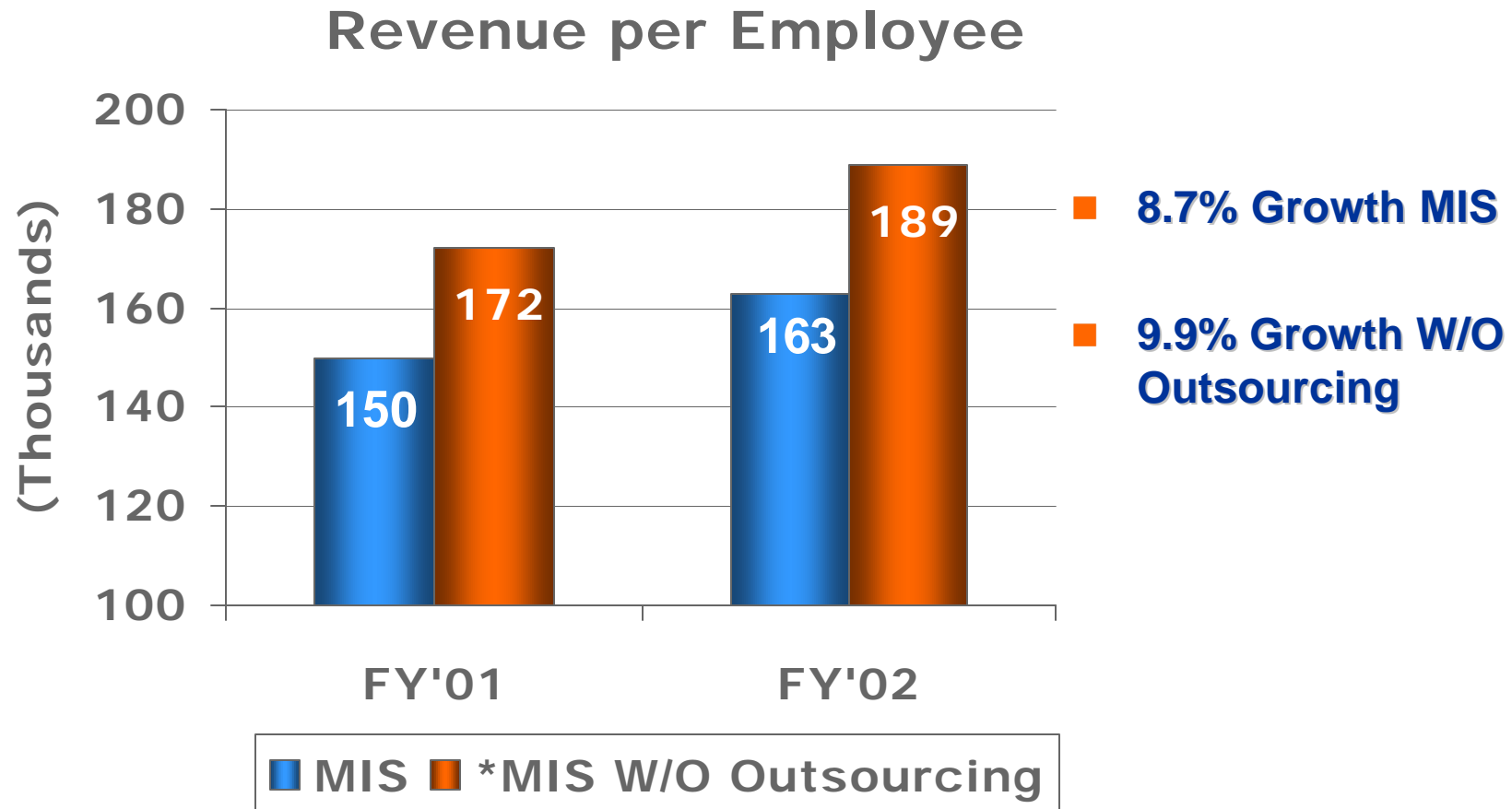
- PeopleSoft
- SAP

■ Shared Services

- Payables, Payroll, Expenses
- Real Estate
- Purchasing

Strategies to Expand Margin

Leverage Existing Infrastructure . . . Good Progress



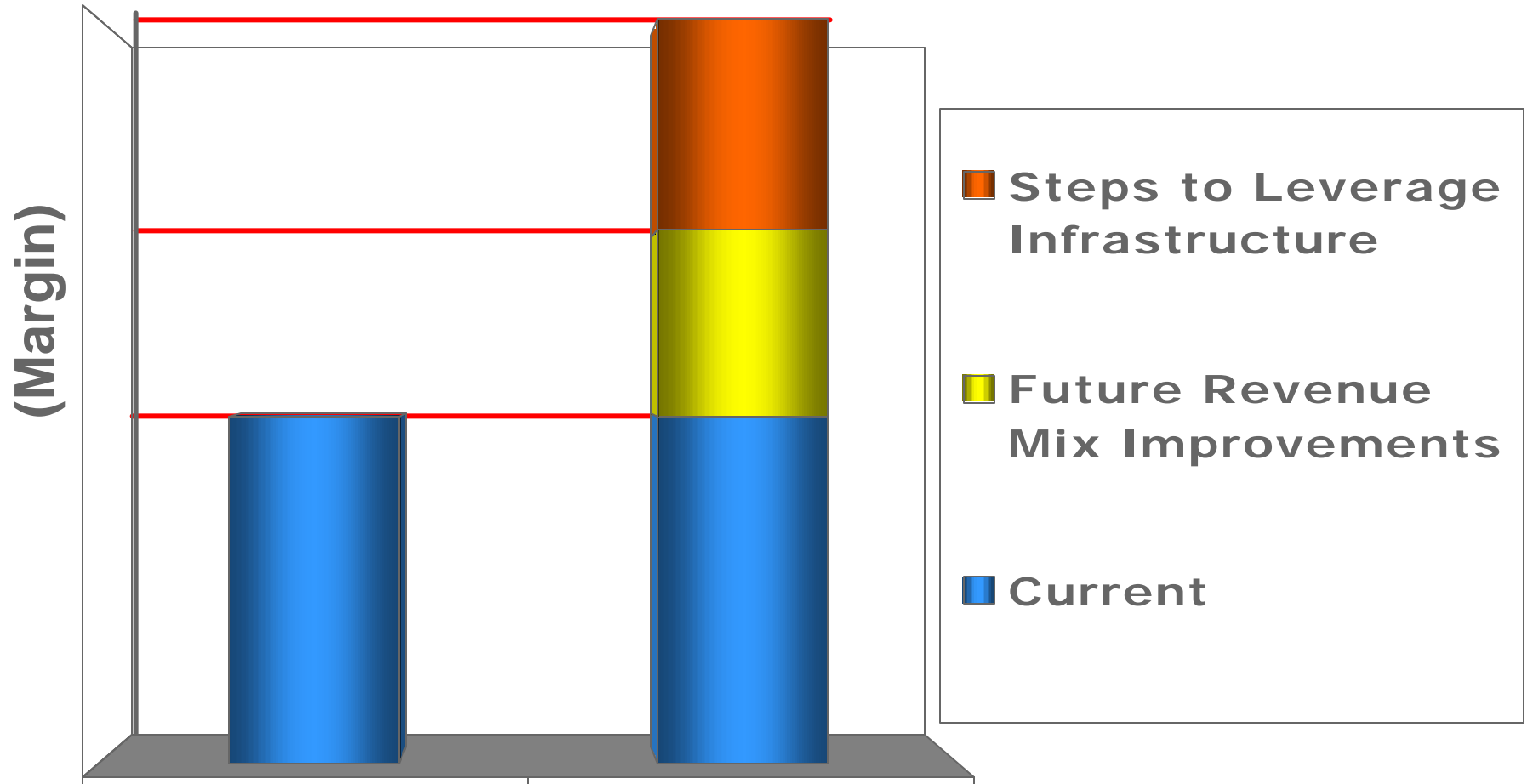
*Excludes Revenue Cycle Outsourcing, IT Outsourcing, and International Outsourcing

MCKESSON

Empowering Healthcare 96

Strategies to Expand Margin

Identified Future Opportunities



Outlook . . . Revenue Growth and Margin Expansion

Summary

- **We are Making Significant Progress**
 - Improving Financial Results
 - Establishing McKesson as Leader in HIT
 - Maximizing Financial Results
- **Opportunity for HIT is Large and Growing**
- **McKesson is Uniquely Positioned**
- **Outlook is for Continued Revenue Growth and Margin Expansion**

GREAT OPPORTUNITY

GREAT PROGRESS

Ray Shingler
Senior-Vice President, CIO

Spartanburg Regional Healthcare System
Spartanburg, SC

Spartanburg Regional Healthcare System

Integrated Delivery System composed of:

- **Three Hospitals**
- **730 Licensed Beds**
- **Gross Revenue \$775M**
- **Level I Trauma Center**
- **Top 100 Heart Center**
- **Cancer Center**
- **38 Physician Offices**
- **Teaching Hospital**
- **Free Standing ASC**



McKesson Relationship

Clinical

- Care Manager
- Clinical Repository
- Pharmacy
- Radiology
- Homecare
- Medical Records Imaging

Resource Management

- Materials Management
- Resource Scheduling
- Staff Scheduling
- Trendstar

Revenue Cycle

- Star Financials
- Contract Management
- Financial Management
- Patient Processing
- Star Compliance

Robotics/Automation

- Supply Scan
- Rx-Robot Drug Dispensing
- Accu-Dose Drug Dispensing

McKesson Corporate Agreement Signed 1999

Information Systems (Clinical and Administrative)

Medical /Surgical Distribution Agreement

Pharmacy Distribution Agreement

Automation Agreement

Goal 1: Save \$3.5 over 5 years

Goal 2: Maintain the same quality of service

MCKESSON

Empowering Healthcare 102

Status of Goals

Goal 1:

Savings to date > \$2 million

Premier - top 1% of low cost hospitals

Goal 2:

Top 100 Heart Hospital

Cancer Center of Excellence

Level I Trauma Center

JCAHO surveys (92 – 96 – 98)

MCKESSON

Empowering Healthcare 103

New Applications CPOE and Pharmacy

In keeping with our Quality Mission of providing the Best of Care, our Medical Staff reviewed, requested and approved the purchase of:

Horizon Expert Orders

Horizon Med Manager (Pharmacy)

Why: To continue the effort to eliminate the opportunity for medical errors. Reasons such as:

1. Manual handwriting
2. Integrating patient specific information such as allergies and home medications.
3. Eliminate variation from standard, accepted protocols
4. Access to global knowledge at treatment time via the Internet

New Applications

Picture Archiving Communications System (PACS)

SRHS has been investigating the purchase of a foreign (non-McKesson) PACS vendor to integrate with our core McKesson products

WHY: McKesson did not have a PACS product

With the recent announcement by McKesson to acquire ALI, SRHS is now considering the purchase of the ALI product.

WHY ALI:

1. Identified as one of the leaders in PACS technology
2. Customer Services rated #1
3. Single vendor vs. multiple vendor (s)
4. Integration of very complicated information
5. Users are familiar with the required front-end systems

MCKESSON

Empowering Healthcare 105

McKesson and Spartanburg

The Power of a Partnership

- McKesson has moved from being a “vendor” to a “strategic partner”
- All patients, whether in-patient or ambulatory, are “touched” by systems, products and processes provided by McKesson
- McKesson is participating in the planning stage for the development of our new \$40 million Emergency Medicine Pavilion
- McKesson is working to make our System better for our patients, care providers and staff of Spartanburg Regional Health System
- Spartanburg Regional Healthcare System is recognized as a high quality, cost effective integrated delivery system. McKesson has helped make this possible



MCKESSON

Empowering Healthcare

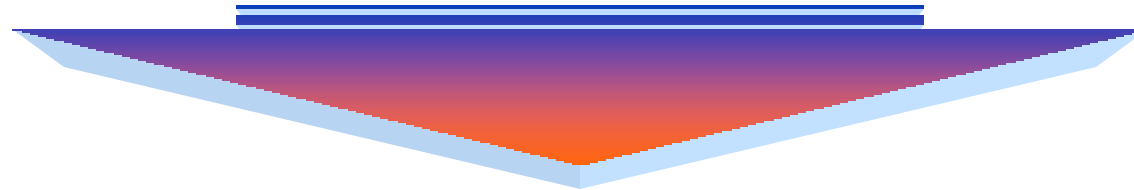
MCKESSON

Empowering Healthcare

John H. Hammergren
President and CEO

Summary

- **Financial/Customer Momentum**
- **Positive External & Internal Fundamentals**
- **Execution-Oriented Strategy**
- **Strong Leadership Team**



**Value Creation for Customers and
Shareholders**

MCKESSON

Empowering Healthcare 109

MCKESSON

Empowering Healthcare

Questions & Answers