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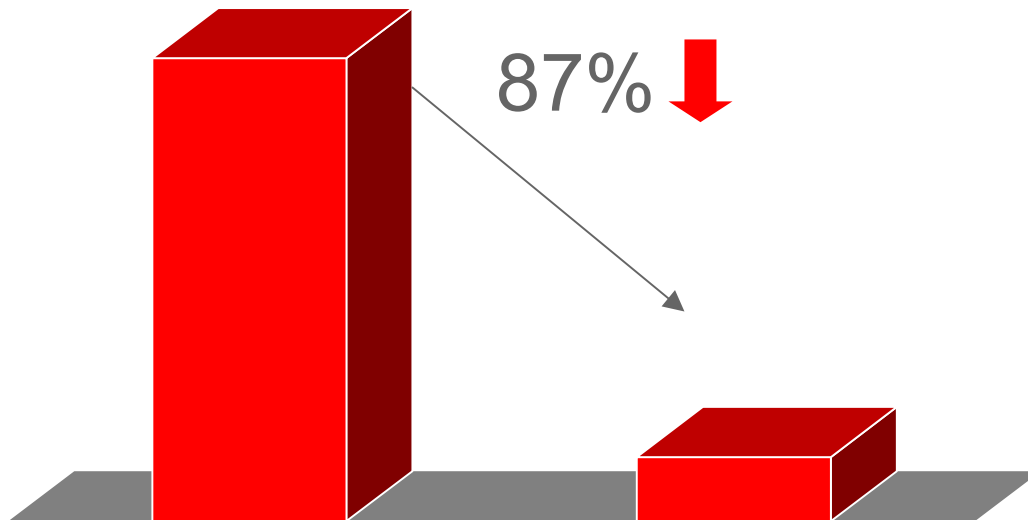
2003 Investor Day

June 18, 2003

Medication Error Reduction

- 11,518 errors avoided annually on one unit

Overall medication error rate



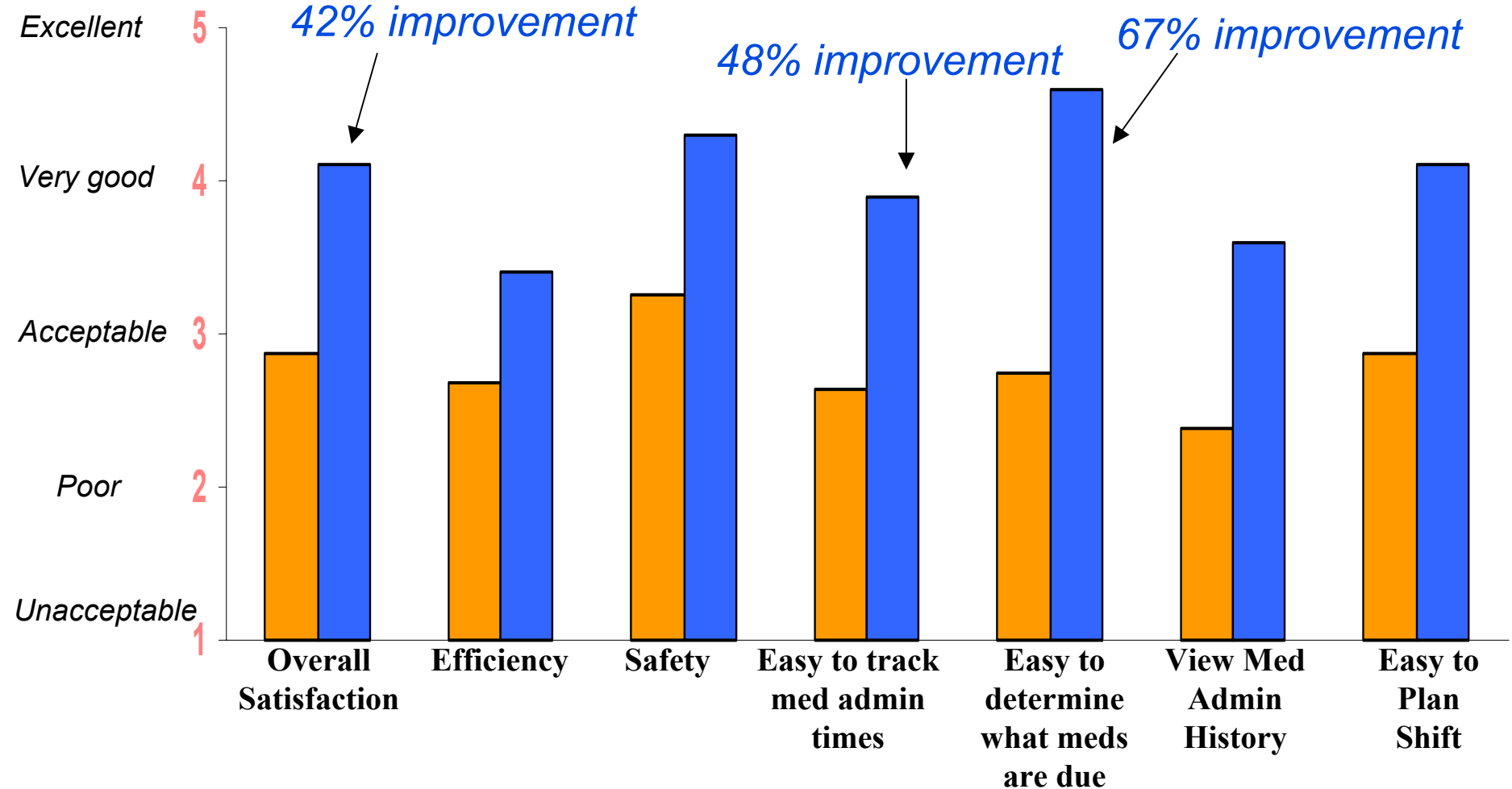
13,340 admin errors/year → **1,822 admin errors/year**

Wrong Dose	100% ↓
Wrong Dosage Form	100% ↓
Omitted doses	92% ↓
Wrong time	77% ↓
Wrong drug	51% ↓

Post Admin-Rx data is based on 17 days of data collected in February, 2002

Pre versus Post Admin-Rx Nursing Satisfaction

Pre Admin-Rx Post Admin-Rx

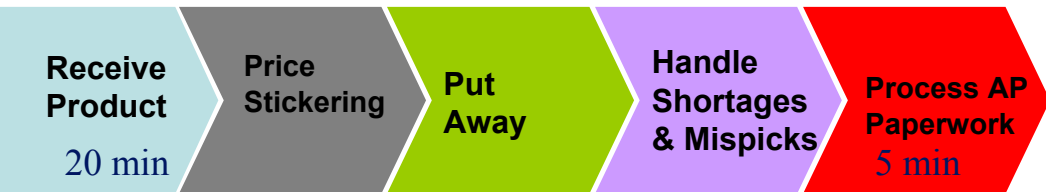




Closed Loop Distribution[®]

UWHC Results:

3 hours/day of Rx purchasing time freed-up!



CLD + ARLink + Scan Totes Only



67% Reduction!

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Questions & Answers

Agenda For Today's Presentation

- **Company and Financial Review**
- **Hospital Market Panel**
- **Retail Market Panel**
- **Industry and Legislative Panel**
- **Q&A**

Retail Market Panel

- **Paul Julian**
President, McKesson Supply Solutions

- **John Figueroa**
President, McKesson Pharmaceuticals National Accounts

- **Rich Lunak**
President, McKesson Automation

- **George Bartell**
Chairman and CEO, The Bartell Drug Company

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The McKesson Pharmacy

Paul C. Julian
President, McKesson Supply Solutions

Retail Pharmacy Pressures

- Skilled labor shortage
- Workflow management challenges
- Spike in complex therapeutic drugs
- Distributive and administrative tasks
- Third-party managed care plans
- Mail order competition
- Direct-to-Consumer advertising
- Patient safety
- Front-end management



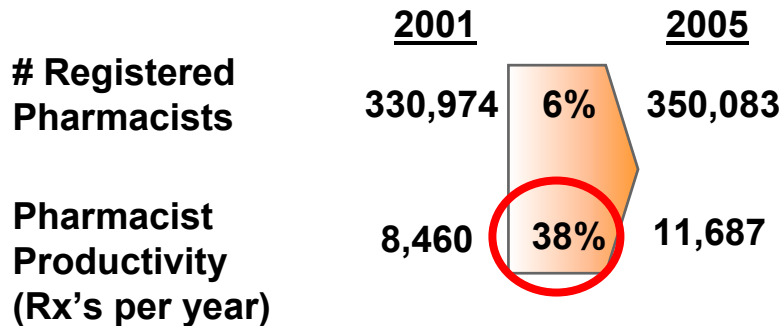
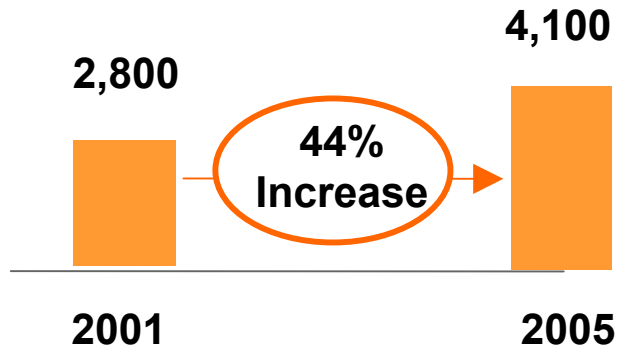
Pressure on Profitability

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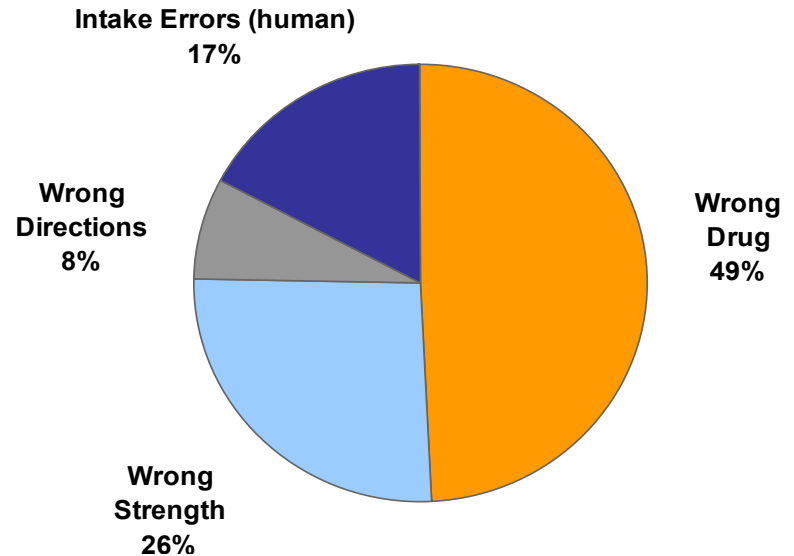
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Expanding Prescription Volume Pressures Workflow Productivity

*Rx Volume
(millions Rx)*



Retail Pharmacy Medication Errors



“Medication errors can be reduced by up to 82% through the use of automation, even in an environment in which error reduction methods are already active.”

Jim Carper, M.S.R.Ph, Auburn Univ.

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Source: 2001 NACDS Industry Profile

Retail Pharmacy Core Areas

McKesson Scalable Solutions

1. Identity and Outreach

- Pharmacy design, consumer programs and promotional support

2. Managed Care

- Chain representation and process support

3. Front-end Support

- Private brand, home health care and merchandising support

4. Workflow Optimization

- Retail Automation, best practice workflow, Central Fill and McKesson Pharmacy Systems

5. Business Management

- Pharmacy Management Tools, Verispan Analytics, One Stop Generics, TogetherRx

6. Working Capital Management

- Managed inventory, Supply Management Online, Closed Loop Solutions

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McKesson's End-to-End Solutions Drive Results

- Lower working capital
- Capture higher margins
- Increase labor productivity
- Increase patient safety
- Ensure product availability
- Create market distinction

McKesson Re-Distribution Center (RDC)

Customer Success Story – 300 Store Chain

- **Reduced average lead times**
 - From 10 days to 48 hours
- **Minimized working capital requirements**
 - Reduced chain's warehouse inventory by 35%
- **Enhanced service levels**
 - Helped chain increase its service levels to its stores from 97% to 98%
- **Reduced administration**
 - Reduced chain's accounting and ordering staff, warehouse receiving and put-away staff by 20-30%
- **Improved overall financial return**

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McKesson Automated Pharmacy Systems

Customer Success Story – Galloway Pharmacy

- San Diego-based independent founded in 1924
- Increased script volume for small pharmacy staff caused low staff morale, decreased customer interaction
- Difficult to accurately track and group orders
- Addition of McKesson APS Pharmacy 2000 and AutoScript III-B resulted in:
 - Patient wait time reduced by 5 minutes
 - 50% increase in Rx volume, from 800 to 1,200 per day

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The Bartell Drug Company

George Bartell
Chairman and Chief Executive Officer

BARTELL DRUGS

Washington's Own Drugstores

- **Founded in 1890 in Seattle**
- **The oldest drugstore chain in the U.S.**
- **Still privately owned by the same family**
- **Three Georges**

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GUS BROWN

WILSON
BUSINESS

The Copeland

OW

J.F. Price & Co.

DRUG

DRUG





BARTELL
PEREK
PRINTS

2.30 OUT AT 5 IN AT 12.30

BARTELL
PEREK
PRINTS

Bartell's Today

- **52 stores—All located in just three counties in and around Seattle**
- **Average store size—over 13,000 square feet.**
- **Sales mix—55% Pharmacy/45% OTC**
- **Strong promotional programs**
- **McKesson customer since 1985**
- **Growing**



BARTELL DRUGS

BARTELL DRUGS

2002 Estimated Sales Rankings

	2002 Sales*
Walgreen	28.7B
CVS	24.2B
Albertson's	16.8B
Rite Aid	15.8B
Eckerd	14.6B
Long's	4.43B
Medicine Shoppe	2.15B
Duane Reade	1.27B
Brooks (Coutu)	1.7B
Snyder's/Katz Ent.	960M
Kerr Drug	815M
Marc's	800M
Discount Drug Mart	525M
Happy Harry's	400M
USA Drug	397M
Medicap	366M
Community Distrib	344M
Kinney	341M
Sav-mor franchising	314M
Aurora	254M
Familymeds	252M
Bartell Drugs	221M

*estimates except for public firms

Source: Chain Drug Review
and Drug Store News

What is Different at Bartell's?

- **Customer service**
 - Friendly
 - In stock
 - Low fixtures—can see across store
- **Family orientation**
 - Supports our customer service goals with low turnover
- **Integrity**
- **We're local and dependable**

Where Bartell's Is Challenged

- **We don't have the scale or expertise to operate a full line warehouse**
- **We don't have the scale or expertise to write our own software**
- **We cannot, on our own, develop central prescription filling systems**
- **Inventory control systems**

What Do Pharmacy Customers Need from McKesson?

- **Service**
- **Purchasing scale and expertise**
- **Selection**
- **Consistency**
- **Programs that help us understand dynamics of the business and compete with “big guys”**
- **Leadership and Innovation**

What McKesson Supplies Bartell's

- Brand name pharmaceuticals
- Generic pharmaceuticals
- Health and Beauty Aids
- Some Private label items
- Promotional items at McKesson's Trade Show
- McKesson Pharmacy computer systems
- Pharmacy Automation/Productivity
- Analytical systems
- Special ordering
- Information source for new products, etc.
- Scale

What We Consider Promising at McKesson Today

- **Enhancements to McKesson Pharmacy Systems**
- **SMO**
- **Central prescription filling**
- **Responsiveness of McKesson's leadership today**

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Industry and Legislative Panel

- **Marc Owen, Senior Vice President, Strategic Planning and Business Development**
- **Ann Berkey, Vice President, Public Affairs**

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Strategic Industry Trends

Marc Owen

Senior Vice President

Strategic Planning and Business Development

Major Trends Influencing McKesson Direction

Focus on Quality

**Pressure on
Payers**

**New and Different
Pharmaceuticals**

**Ongoing
Operational
Improvements**

**Growth in Chronic
Diseases**

**Increased
Consumerism**

Focus on Quality

- Physician Order Entry adoption
- Increasing consensus on quality metrics
- Regulatory reinforcement
- Inpatient – ambulatory shift
- Provider financial incentives

- Payer quality reports
- Early physician Order Entry adoption
- Leap Frog
- Medication safety offerings

**Broader
Acceptance**

**Pilots, Early
Adoption, Metrics**

- NCQA
- JCAHO
- Institute of Medicine

**Awareness of
The Problems**

Late '90s

2000 - 2004

2005 - 2010

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New and Different Pharmaceuticals

- Continued growth in injectibles
- New delivery mechanisms
- Gene – drug efficacy linkages become clearer
- Setting of care and channel shifts

Growth in Chronic Diseases

New Chronic Diseases

- Cancer
- Heart Disease

Improved Disease Management

- Provable ROI
- Early case detection, predictive modeling
- Enhanced clinical pathways

Patient Self-Management

- Physician-patient communications
- Consumer clinical content
- Home devices

Financing Pressures

- Growth in commercial premiums
- State government deficits
- Medicare
 - Aging population
 - Increased life expectancy
- Expanded coverage
- New technologies

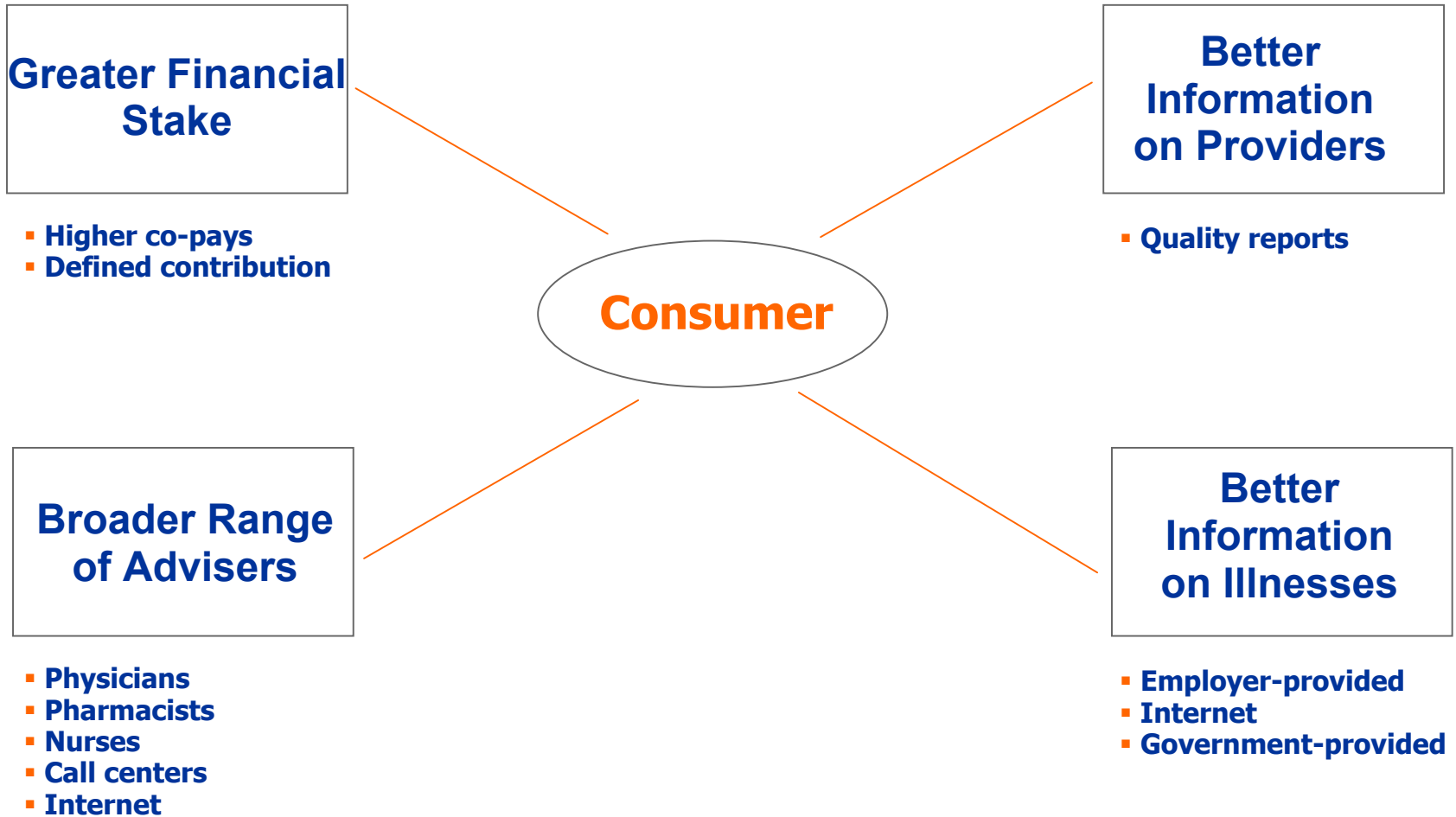


- Medical costs will have to be managed
 - Reduced practice variations
 - Population management
- Pricing pressures will drive need for improved efficiency
- Increasing private public partnerships

Ongoing Operational Improvements

- **Supply chain optimization:**
 - Tighter linkages between physical and information flows
 - Automation of processes
 - Greater integration across company boundaries
- **Capital resource efficiencies:**
 - Improving throughput
 - Shared resources
- **Administrative efficiencies:**
 - Reduction in paper
 - Straight through processing

Consumerism



Major Trends Influencing McKesson Direction

Focus on Quality

Pressure on Payers

New and Different Pharmaceuticals

Ongoing Operational Improvements

Growth in Chronic Diseases

Increased Consumerism

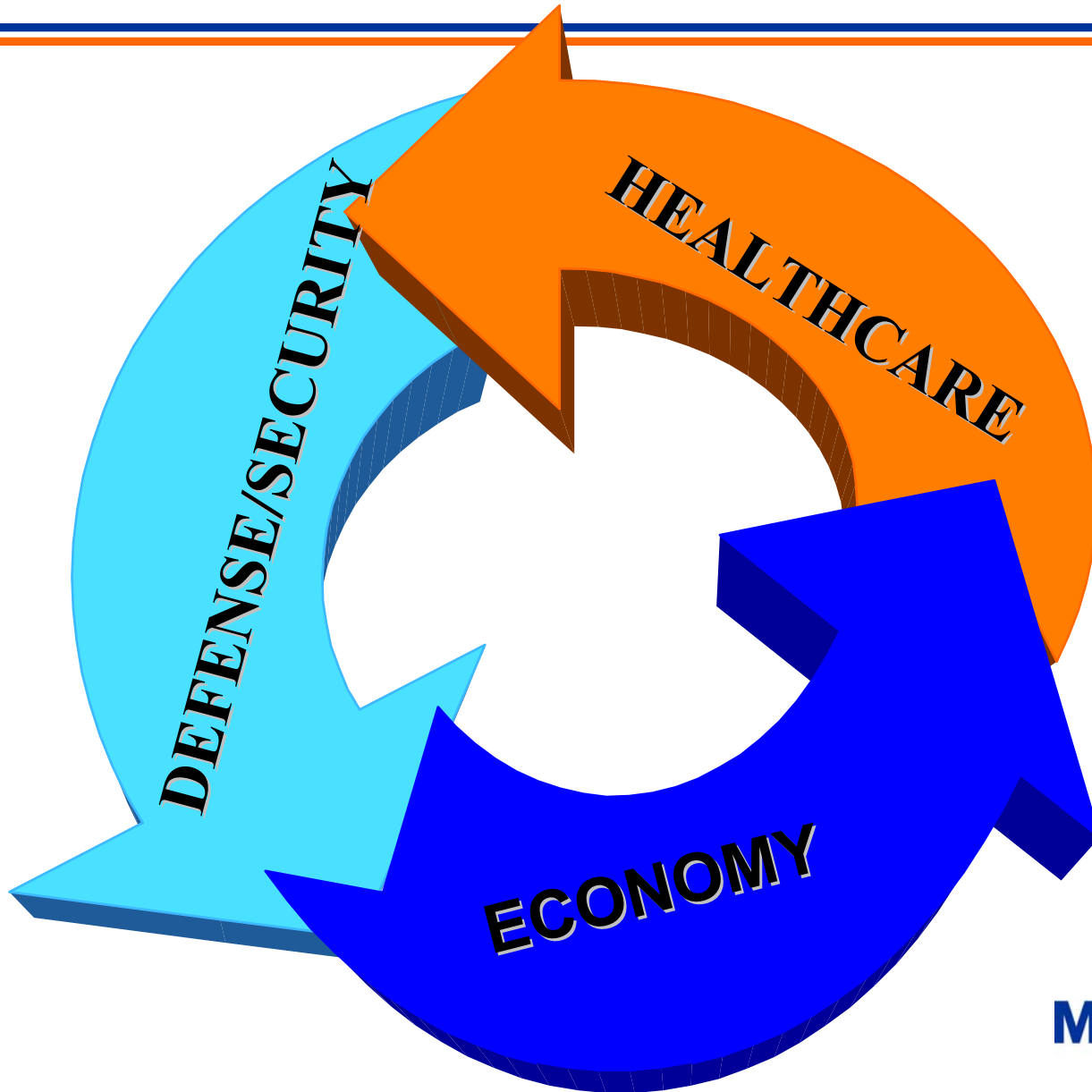
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The View from Washington

Ann Berkey
Vice President, Public Affairs

National Priorities 2003



Key McKesson Issues

Pharmaceutical Distribution/Dispensing

- Medicare Rx Benefit
- Drug Reimportation
- Rx Pricing
- Product Safety

Health Information Technology

- Incentives for HIT Purchase
- e-Prescribing
- Interoperability of Systems
- Patient Privacy/HIPAA

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Quality & Outcomes

- Patient Safety
- Disease Management
- Telehealth
- Pharmaceutical Therapy

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