

HIMSS07: The Power to Perform



Larry Kurtz
Vice President, Investor Relations
McKesson Corporation

Safe Harbor Clause

Some of the information in this presentation may constitute forward-looking statements that are subject to various uncertainties and could cause actual results to differ materially from those projected or implied. These uncertainties are described in the Company's reports and exhibits filed with the Securities and Exchange Commission.

HIMSS07: The Power to Perform



John Hammergren
Chairman and Chief Executive Officer
McKesson Corporation

HIMSS07: The Power to Perform



Pamela Pure
President
McKesson Provider Technologies

McKesson Provider Technologies

Clearly the Leader...

Company Profile

- ▶ \$2B++ revenue
- ▶ 15% to R&D
- ▶ 14,000+ employees

*“Largest HCIT
Company”*

Customer Base

Hospitals - 50% of total, 77% > 200 beds

Physicians - 20% of total

Homecare - 25% > 50K visits

Retail Rx - Connections with 90%

Payors - Connections with 1,800 payors

*“Our Most
Valuable Asset”*

Solutions Portfolio

Software & Automation Products

- ▶ EHR, clinical and medication management
- ▶ Revenue cycle management
- ▶ Resource/supply chain management

Services

- ▶ Revenue cycle outsourcing
- ▶ IT outsourcing
- ▶ Technology

*“Most
Comprehensive
Offering”*

RelayHealth Connectivity

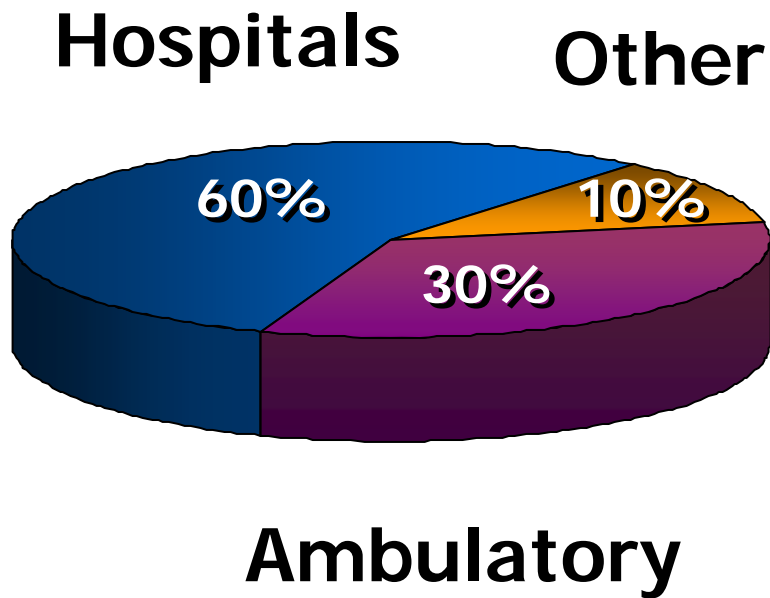
- ▶ Physicians
- ▶ Payors/providers
- ▶ Retail pharmacies

McKesson Provider Technologies Positioned for Growth...

- ▶ Per-Se expands products, services and customer base
- ▶ Practice Partner rounds out physician portfolio
- ▶ RelayHealth drives interactive connectivity
- ▶ Strong momentum continues with Horizon and Paragon



Shift in Market Dynamics – From Hospital to Other Settings of Care

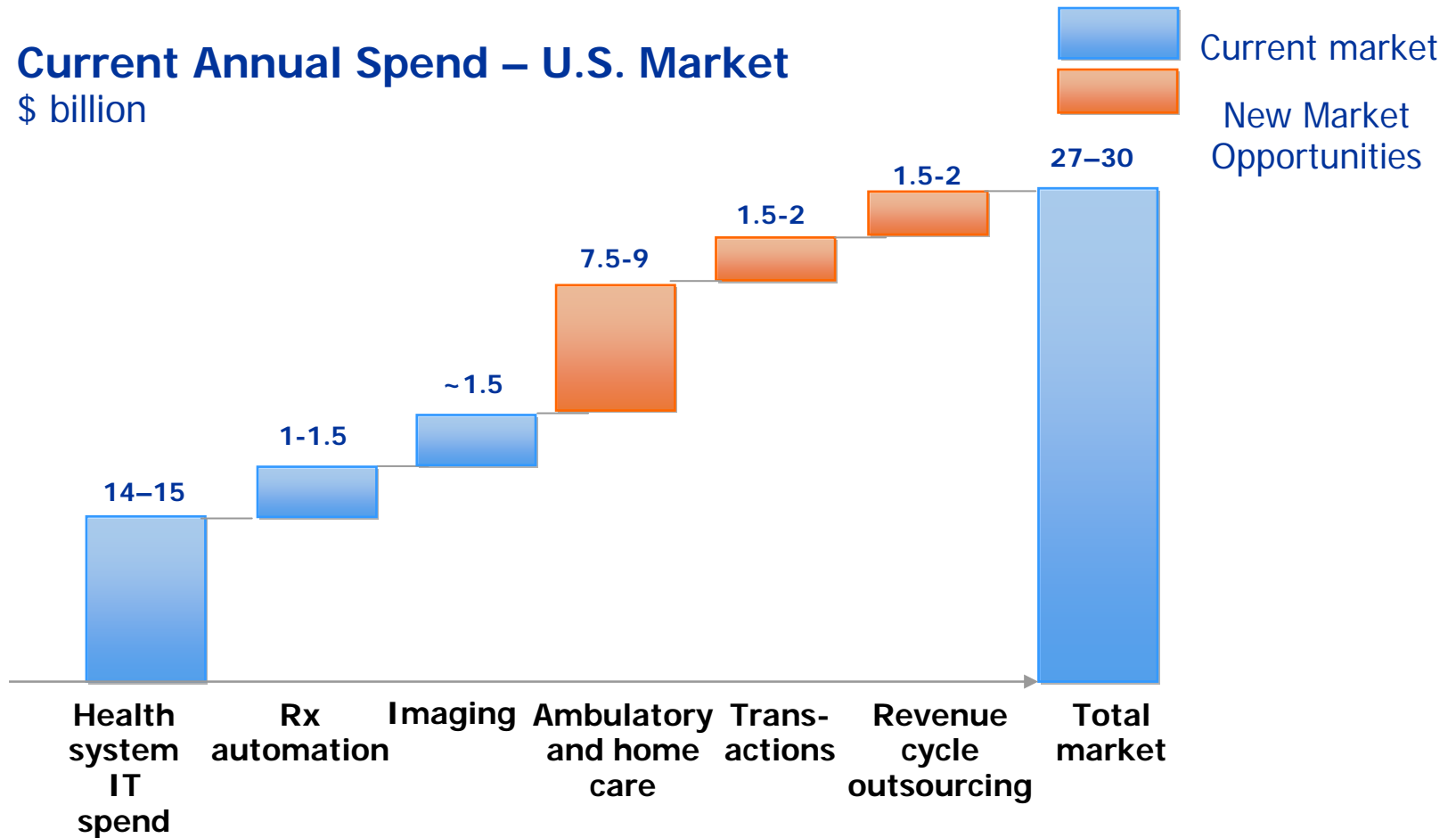


**Focus on
Healthcare**

Competing in \$27-30 Billion Market

Current Annual Spend – U.S. Market

\$ billion



The Power to Perform



Bringing together software, services, automation and analytics to help **ALL** healthcare organizations achieve demonstrable results

Healthcare Leadership Strategy

Portals

Hospital



Physician Office



Connectivity



Health System

Community

Integrated

Independent

Patient

Payor

Pharmacy

Healthcare Leadership Strategy

- ▶ Automate the Hospital
- ▶ Provide a Complete Solution for the Physician's Office
- ▶ Drive Interactive Connectivity with RelayHealth

Power to Perform for Hospitals

Key Differentiators

Health Systems

Community Hospitals

Horizon



Paragon

Medical Imaging, Document Imaging

Analytics

Technology – RFID, Mobility

Healthcare Leadership Strategy

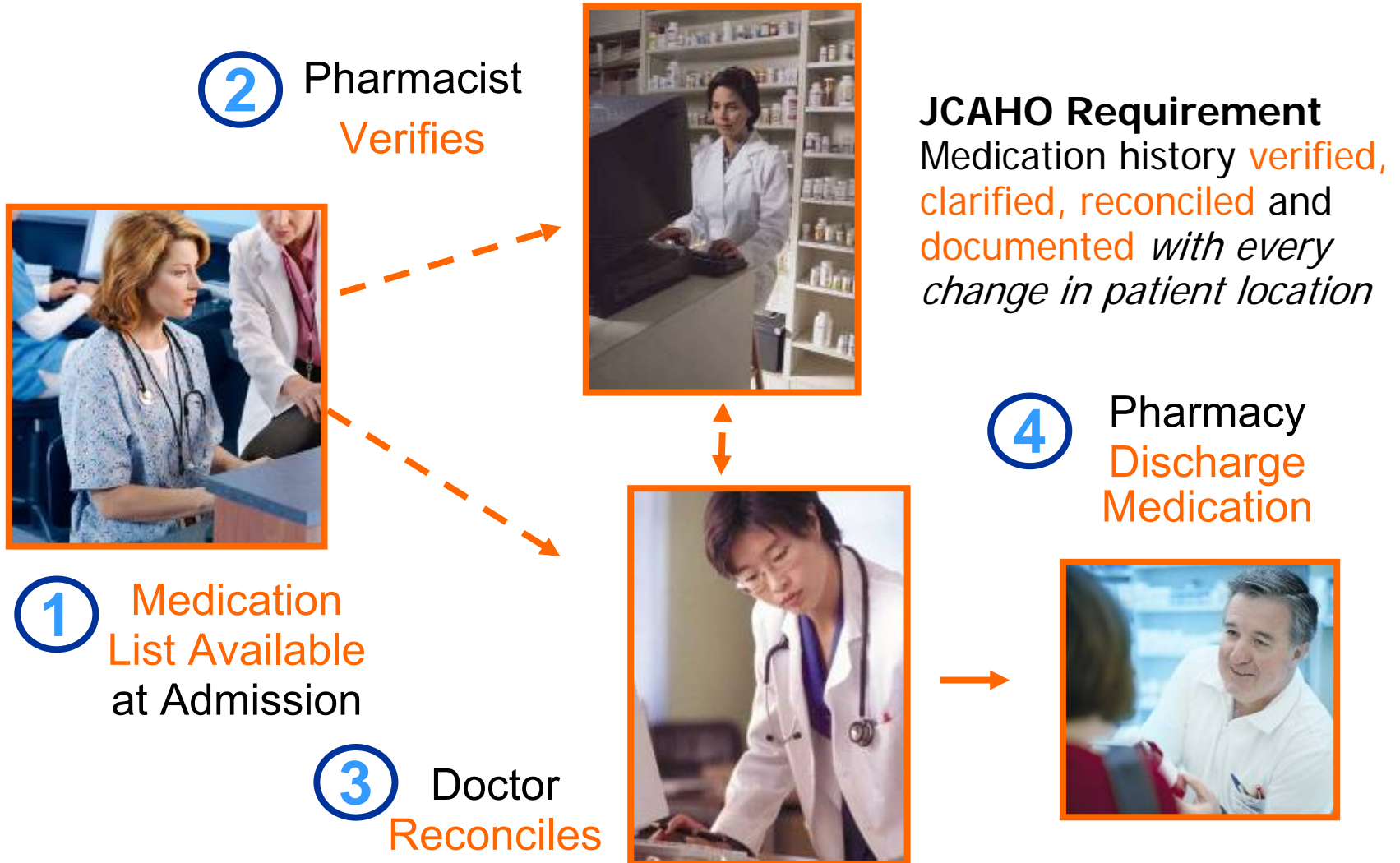
Horizon

- ▶ Medication safety leadership continues – medication reconciliation
- ▶ Nursing portal
- ▶ Medical Imaging – expanded agreement with Toshiba
- ▶ Enterprise Healthcare Platform – Red Hat



Healthcare Leadership Strategy

Medication Reconciliation



Healthcare Leadership Strategy

Medication Reconciliation

2 Pharmacist
Verifies



JCAHO Requirement
Medication history **verified**

Medication Reconciliation

- McKesson connects outpatient, hospital and retail pharmacy
- Patient-centric, single source of medication history
- Automates process and simplifies clinician workflow
- Performance monitoring for compliance and standardization

3 Doctor
Reconciles



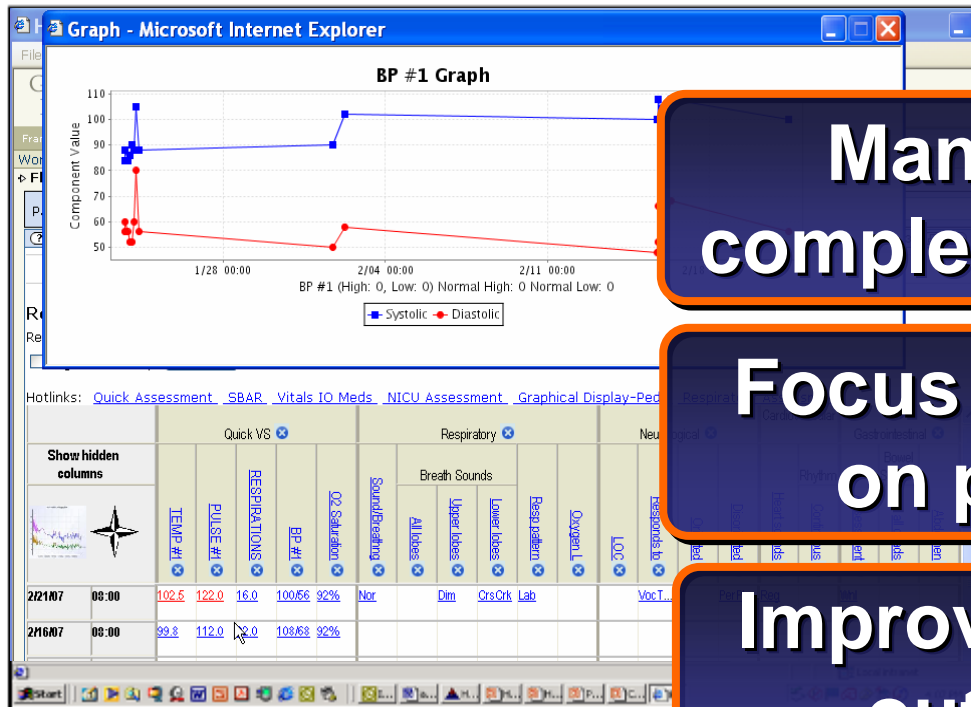
Horizon^{WP} Nursing Portal and Mobile Solution

Helps Nurses:

Manage the complexity of care

Focus more time on patients

Improve safety & outcomes



3.7 million logins/month to Horizon^{WP} Physician Portal


Healthcare Leadership Strategy

Paragon “Complete”

- ▶ Fully integrated, Best in KLAS
- ▶ Delivered with medical imaging and document imaging
- ▶ Practice Partner for physicians
- ▶ RelayHealth to drive connectivity



Healthcare Leadership Strategy

- ▶ Automate the Hospital
 - ▶ Provide a Complete Solution for the Physician's Office
 - ▶ Drive Interactive Connectivity with RelayHealth
- 

What Does the Physician Market Look Like?

- ▶ 550,000 office-based physicians in the United States
 - 120,000 are employed by a health system
 - 83% are primary care physicians, the rest are specialists
 - 430,000 are independent
 - 72% are in practices of 25 MDs or fewer
 - Average physician practice has only 2 MDs
- ▶ 105,000 hospital-based specialists, including:
 - Anesthesia, radiology, pathology, emergency medicine, intensivists, etc.

Healthcare Leadership Strategy

Provide the Complete Solution

- ▶ Software
- ▶ Revenue Cycle Services
- ▶ Supplies
- ▶ Connectivity



Quantifying the Opportunity

5-Year Value of a Physician to MPT

	5-Year Revenue (including hardware)
Practice Management	17,000-24,000
Electronic Health Record	18,000-28,000
Revenue Cycle Outsourcing	80,000-110,000
RelayHealth	4,000-7,000
Transaction Solution Hub	6,000-10,000
Total 5-year value of a physician	\$ 125,000-179,000

Strategic Acquisitions Provide Software, Service, Customers & Distribution



- ▶ Revenue cycle outsourcing market leader with >17,000 MDs
- ▶ Reach to 100,000+ physicians using Medisoft/Lytec practice management
- ▶ Extensive channel reach with more than 350 VARs



- ▶ Award-winning integrated PM/EHR solution for the independent physician practice
- ▶ Reach to 7,000+ physicians

Healthcare Leadership Strategy

Multi-Pronged Strategy to Win Physician Market

▶ Hospital-Out Strategy

- Leverage McKesson hospital footprint and channel coverage
- Solution: Horizon Ambulatory Care with practice management, revenue cycle outsourcing, supplies and RelayHealth connectivity

▶ Independent Practice Strategy

- Upgrade Per-Se practice management customers
- Leverage Per-Se and Med-Surgical value-added reseller networks
- Solution: Practice Partner with revenue cycle outsourcing, supplies and RelayHealth connectivity

Healthcare Leadership Strategy

Provide the Complete Solution

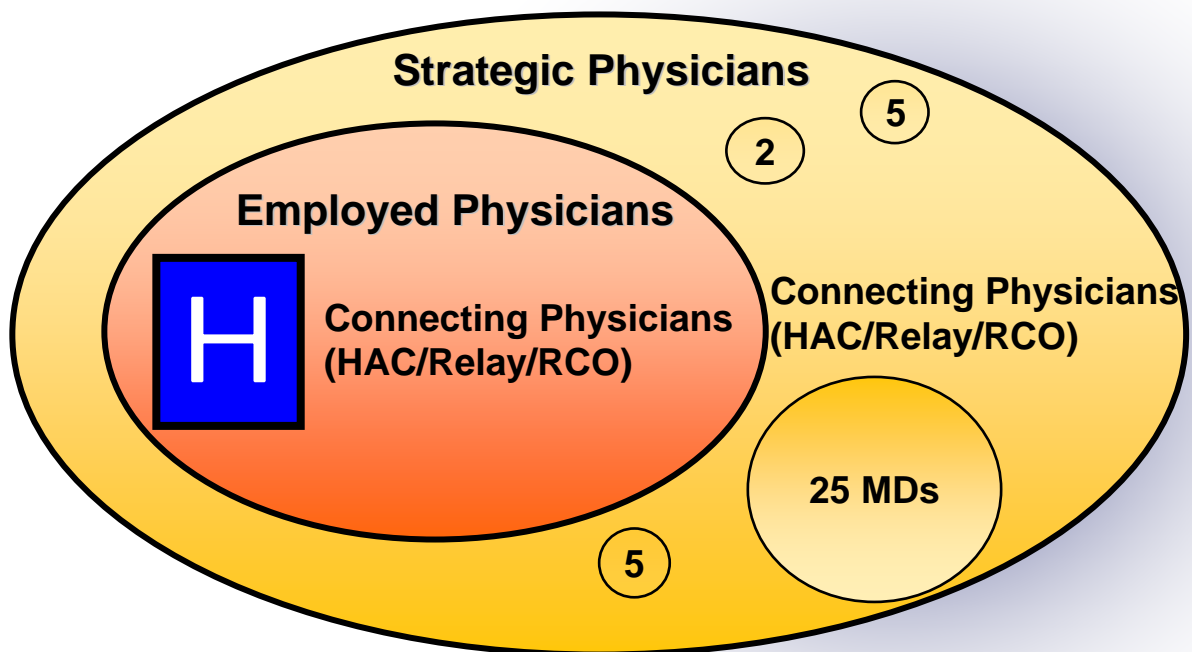
- ▶ Software
- ▶ Revenue Cycle Outsourcing
- ▶ Supplies
- ▶ Connectivity



Health System

“Connecting Physicians” Program

Affiliated Physicians



- Duke University Health System
- General Health System
- Methodist Medical Center of Illinois
- Wheaton Franciscan Healthcare

Health System

“Connecting Physicians” Program

Inpatient Clinical Solutions

Portal

Medical
Imaging
PACS

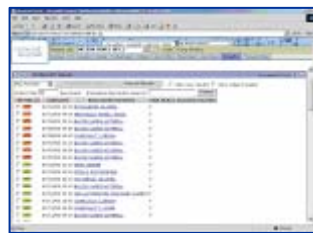
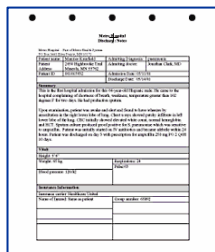
Document
Imaging

Lab

Ambulatory
EHR

Practice
Management

Revenue Cycle
Outsourcing



Patient Record

RelayHealth



Other
Physicians



Payors &
PBM

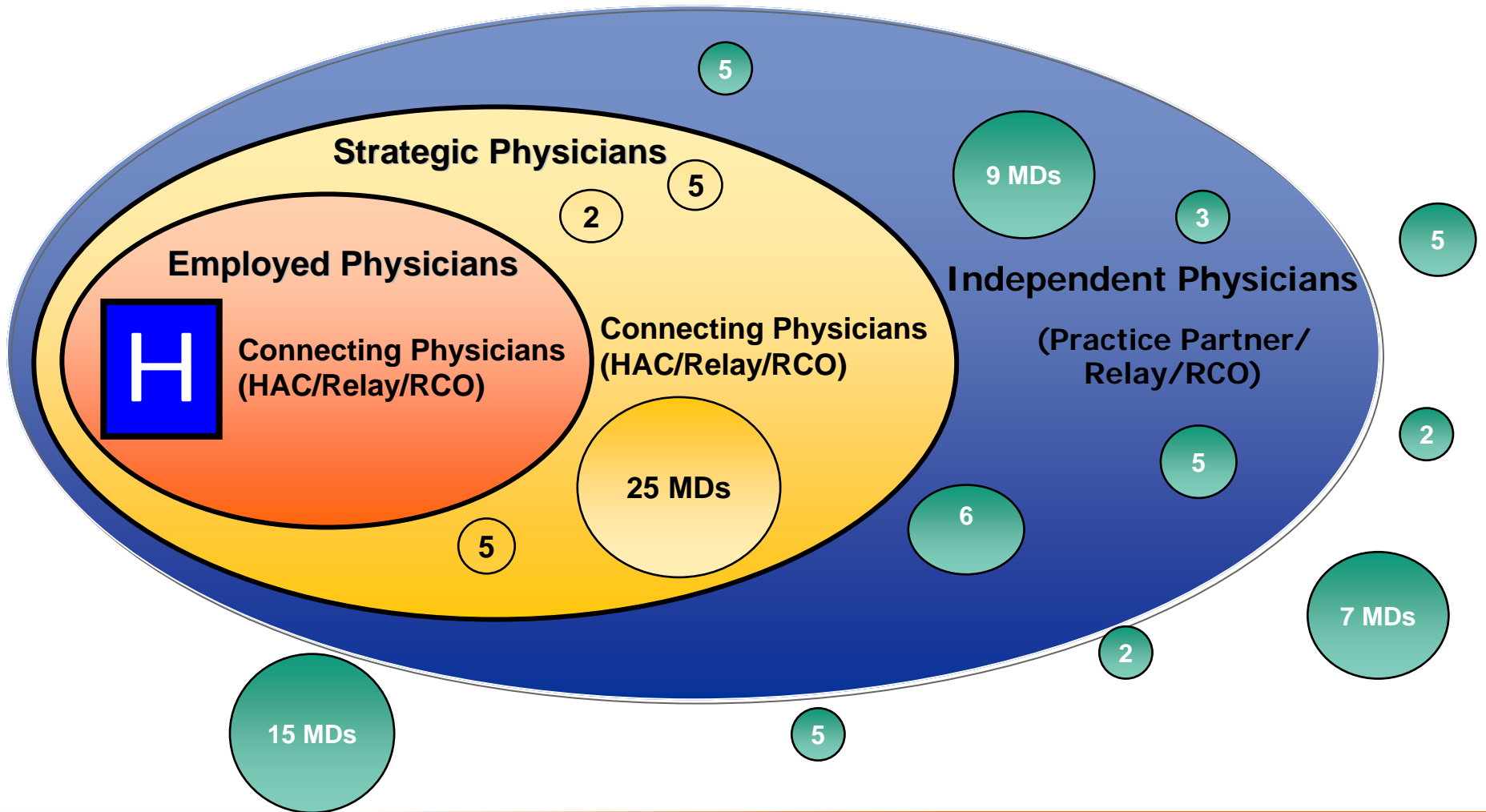


Patients



Retail Rx

Independent Market Practice Partner



Independent Market Practice Partner



Company Profile

- ▶ Formed in 1983, formerly known as PMSI (Physician Micro Systems, Inc.)
- ▶ HQ in Seattle with 130 employees
- ▶ CEO & founder Andrew G. Ury, M.D., industry leader who is a commissioner on CCHIT and co-chair of HL7 EHR TC

Customer Base

- ▶ 1,500 practices installed with 20,000+ users, including 7,000 physicians

Solutions Portfolio

- ▶ Fully integrated practice management and EHR product
- ▶ Profitably supports small practices (1-4 MDs)
- ▶ TEPR Award Winner, Best EHR awards 2006, 2005, 2004
- ▶ AC Group Award Winner, Best EHR Software 2006, 2005, 2004
- ▶ CCHIT Certified for 2006

Independent Market Practice Partner

**Ambulatory
EHR**

**Practice
Management**

**Revenue Cycle
Outsourcing**



Patient Record

RelayHealth



**Other
Physicians**



**Payors &
PBM**



Patients



Retail Rx

Healthcare Leadership Strategy

Provide the Complete Solution

- ▶ Software
- ▶ Revenue Cycle Outsourcing
- ▶ Supplies
- ▶ Connectivity



Revenue Cycle Outsourcing

- ▶ Revenue cycle outsourcing market leader with 17,000+ physician customers
 - Manage customer business office functions from billing to collections
 - Improve collections, cash flow and business office productivity to optimize practice financial performance
 - Focus by specialty – academic & multi-specialty, radiology, pathology, emergency department, anesthesia



Healthcare Leadership Strategy

Provide the Complete Solution

- ▶ Software
- ▶ Revenue Cycle Outsourcing
- ▶ Supplies
- ▶ Connectivity



Leadership in Medical-Surgical Supplies



Products



Technology



Programs



Services

- **No. 1 market share**
- **Best-in-class products**
- **Technology solutions for efficiency**
- **Savings and education programs**

Why Are We Well Positioned To Lead The Physician Market?

▶ **Market Share**

- 20% of physicians have McKesson technology in their practice

▶ **Only Complete Solution**

- Software
- Revenue Cycle Outsourcing
- Supplies
- Connectivity

▶ **Unmatched Distribution Channel**

- McKesson Provider Technologies
- Extensive VAR Channel
- McKesson Medical-Surgical Channel

Healthcare Leadership Strategy

- ▶ Automate the Hospital
- ▶ Provide a Complete Solution for the Physician's Office
- ▶ Drive Interactive Connectivity with RelayHealth

Introducing RelayHealth...

Care Fully Connected

- ▶ Leverage the connectivity assets of McKesson
- ▶ Create a vendor-neutral business
- ▶ Focus on streamlining clinical, financial and administrative interactions



RelayHealth Assets

Pharmacy Solutions



- Real-time retail pharmacy claim network
- Value-added pre- and post-edits on claims
- Data services
- eScript connection to retail pharmacies
- PHS real-time claims processing technology

Consumer Solutions



- Secure online communication with patient and physician
- webVisit consultations
- Virtual business office
- Telehealth Advisor
- eScript generation

Provider Solutions



- Financial clearance
- Financial settlement
- Remittance processing
- Contract management
- Claims management



- Claims management system
- Print services/document outsourcing
- Medicare direct entry
- Virtual remittance services
- Revenue cycle outsourcing

RelayHealth Assets

Pharmacy Solutions



- Real-time retail pharmacy claim network
- Value-added pre- and post-edits on claims

Provider Solutions



- Financial clearance

- **1 billion financial transactions**
- **1 million patient records**
- **8.5 billion pharmacy transactions**
- **Connections to 90% of retail pharmacies**

physician

- webVisit consultations
- Virtual business office
- Telehealth Advisor
- eScript generation

- Print services/document outsourcing
- Medicare direct entry
- Virtual remittance services
- Revenue cycle outsourcing

RelayHealth



[About Us](#) [QuickTour](#) [News](#) [Contact Us](#)

Home
Patients
Providers
Hospitals
Pharmacies
Health Plans
Employers



Industry News

Learn more about the Per-Se Technologies and NDC Health acquisition and the expanded services of RelayHealth

[Hospitals, Pharmacies and Partners, learn more](#)

→ [Register As a New User](#)

→ [Find Your Doctor](#)

→ [Sign In](#)

User ID

Password

Remember my User ID

[Forgot your User ID or Password?](#)

Patients

RelayHealth is a secure, private way to communicate with your doctor online. Take care of non-urgent healthcare matters—quickly and easily. You can even save money by doing an online consultation. [Learn how . . .](#)



Providers

Free up phone lines, increase patient

Health Plans

Increase member satisfaction, boost sales

News

2/22/2007 - Aetna to Expand to Washington

Patient Connectivity

Active Consumer Engagement

Connectivity



- Secure data exchange
 - Physicians
 - Patients
 - Hospital

Communication



- webVisit®
- Lab results
- Rx refills

Convenience



- Request appointments
- Pay bills
- Check eligibility

Coaching



- Chronic care support
- In-home monitoring services

Financial Connectivity

Self-Service and Cash Management

Consumer



- Financial clearance
- Financial settlement
- Price transparency

Financial Institution



- “Smarter” swipe cards
- “All Payment” processing
- Expanded EFT

Payor



- HSA/FSA crossover
- Payor-based health record
- Price transparency

Retail Pharmacy Connectivity

Safer Care, Improved Financial Performance

Channel Partners



- Electronic prescribing
- Medication history
- Formulary
- Prescriber data

Payor



- Payor analytics
- Prescriber files
- Editing
 - Formulary
 - Lab results
 - MTM

Manufacturer



- Vouchers at point of service
- Patient assistance programs
- Cash capture

Pharmacy



- Claims processing
 - Real-time actionable editing (pre and post)
 - Medication safety edits
 - Analytics and reporting

McKesson – Positioned for Ongoing Growth

- ▶ **Market Share**
 - No. 1 in Hospital
 - No. 1 in Physician
- ▶ **Only Company with the “Complete Solution”**
- ▶ **Unmatched Sales and Distribution Channel**
- ▶ **Powerful Connectivity Strategy**
- ▶ **Track Record of Success**

Clinical Analytics

Using Clinical Quality to Drive Organizational Performance Improvement



Billie Waldo, MS RN BC
Vice President and Solution Line Manager
Acute Care Solutions

Industry Drivers for Clinical Analytics

Public Accountability for Quality, Safety, Cost

- ▶ Increased regulatory burdens
 - 300+ external reporting requirements
 - “All or nothing” quality measurement proposed by JCAHO
 - No Medicare reimbursement for hospital-acquired infections beginning in 2008
- ▶ Payor, market & consumer pressure
 - Pricing and quality transparency (8/06 Executive Order, CDHPs)
 - IHI 5 Million Lives Campaign
 - “Government To Post Patient Satisfaction Survey Results Online” (*Wall Street Journal*, 2/7/07)
- ▶ Internal and corporate goals
 - “No preventable injuries or deaths by July 2008” – Ascension Health

World-Class Organizations

Partnering for Performance

Patients

Provide a positive patient experience

- ▶ Improve patient outcomes
- ▶ Quantify the impact of patient safety initiatives
- ▶ Increase satisfaction to drive referrals and loyalty

People

Empower employees to make the right decisions

- ▶ Empower efficiency and knowledge
- ▶ Improve workflow and productivity
- ▶ Increase staff satisfaction and retention

Process

Manage resource utilization

- ▶ Automate data collection
- ▶ Streamline and optimize service delivery
- ▶ Eliminate complexity

Payment

Ensure longevity in your community

- ▶ Improve accuracy to speed reimbursement
- ▶ Manage variation and regulatory compliance
- ▶ Evaluate, eliminate and grow service lines

Traditional Data Management

Manual and Fragmented

Data collection

Analysis

Average OR Cost by Surgeon
01 2002

	Berni	Casey	Hamrick	KH Moore	Yonns	Faculty
DPL SDC ANCEP 1 01 2002						
BACITRIM ANCEP 1 01 2002						
BAG DE ANKLE						
BLADE (ASEPTO) DPL SDC CHL 1000CC						
BLADE (BACITRIM ANCEP 1) GRAM ADV PKG	\$0	\$0	\$0	\$0	\$0	\$0
BLADE (BAG DE ANKLE) CAST-LONG						
BLADE (BLADE ASEPTO)VAR			\$0	\$0	\$0	\$0
CATH UR BLADE (BACITRACIN 5000 UNITS VI	\$11	\$11	\$11	\$11	\$11	\$11
CATH UR BLADE (BAG DE CANTER)					\$0	\$0
CAUTER BLADE (BLADE ACCU CUT BIOMET			\$170	\$107	\$177	\$177
CEMENT CATH UR BLADE OSCILLATING BIOMET	\$35	\$46	\$47	\$47	\$47	\$47
CEMENT CATH UR BLADE OSCILLATING MAX D		\$33				\$33
CONITA CAUTER BLADE RECIPROCATOR MAX D		\$40				\$40
COTTON CEMENT CATH UR UROLOGY LEVEL 1		\$11				\$11
CRYO/CUR CEMENT CATH UR LATERAL DISP						\$11
DRAPPE (CONITA) CAUTERY-HANDCONT		\$130	\$141	\$11	\$11	\$11
DRILLIN CRYO/CUR CEMENT PALCOSI BONE		\$177	\$236	\$376	\$292	\$292
DRILLIN CRYO/CUR CEMENT SIMPLEX	\$403	\$177	\$236	\$376	\$292	\$292
DURAND DRAPPE (CONITA) VAC DRAIN SYSTEM		\$192	\$199	\$23	\$191	\$199
FEMUR DRAPPE (COTTON) RED CROSS				\$23		\$23
FEMUR DRILLIN CRYO/CUFF KNEE CUFF ONLY	\$95					\$95
FEMUR DRAND DRAPPE SHEET LARGE DISP				\$30		\$30
FEMUR FEMUR DRAPPE STER (AVERAGE)	\$12					\$12
FEMUR FEMUR DRILLIN JT REPLACE INTE	\$93			\$181	\$130	\$130
FEMUR FEMUR DURANDL CONG TR NO. 02	\$1,999			\$1,793	\$1,737	\$1,737
FEMUR FEMUR FEMORAL COMPON FORCUR BIO				\$2,599	\$3,599	\$3,599
FEMUR FEMUR FEMORAL COMPONENT INTERNE		\$4,799		\$4,799	\$4,799	\$4,799
FEMUR FEMUR FEMORAL COMPONENT LEVEL 1	\$2,617			\$2,951	\$2,726	\$2,726
FEMUR FEMUR FEMORAL COMPONENT LEVEL 2				\$3,794	\$3,794	\$3,794
FEMUR FEMUR FEMORAL COMPONENT LEVEL 3				\$4,540	\$4,540	\$4,540
FEMUR FEMUR FEMORAL COMPONENT LEVEL 5				\$6,396	\$6,396	\$6,396
FEMUR FEMUR FEMORAL HEAD LEVEL 2				\$1,370	\$1,370	\$1,370
FEMURAL STEM MACROFIT				\$4,126	\$4,126	\$4,126
FEMUR STEM INTERMEDICS	\$4,009			\$4,177	\$4,176	\$4,176
FOLICY TRAY & DRAIN BAG	\$17					\$17

Reporting



Manual abstraction tools and chart review

Multiple spreadsheets or independent databases

E-mailed or hard-copy reports

McKesson's Solution

Automated and Comprehensive

Clinical and Financial Data Sources



Healthcare-specific Business Logic



Business Intelligence and Reporting

Patient Satisfaction ¹	85.58%	98	87.33%	◆
Quality Indicators				
Beta Blockers on Discharge for AMI ¹	95.00%	95	100.00%	✓
PostOp Wound Infections ²	2.21%	2	90.50%	◆
Thrombolytic Use in ER for AMI ¹	93.00%	95	97.89%	✓
Operational Performance				
Case Volume - Total Hips ¹	12	16	75.00%	✗
Surgical Cost per Case - Total Hips ²	13,353.78	12,000	89.86%	◆
Case Cancellations ²	45.44%	40	88.02%	◆
Case Delays ²	12.10%	10	82.65%	◆
% OR on time starts ¹	90%	90	100.00%	✓

UB92

DRG, ICD-9-CM Dx/Px codes, provider

+

Surgery

Incision start/close time

+

MedAdmin

Antibiotic name, administration date/time

=

Prophylactic antibiotic administered within 30 minutes of surgical incision

The Power to Create Metric-Driven Organizations

No other healthcare IT vendor:

- ▶ Leverages market penetration of proven clinical **and** performance management systems
 - Clinicians log into our portal more than 3.7 million times a month
 - More than 300,000 nurses use our suite of clinical software to coordinate and administer care
 - Over 20,000 healthcare managers utilize our business intelligence solution to manage their operations
- ▶ Aggregates clinical, operational **and** financial data for complete transparency into the cost **and** quality of care
- ▶ Focuses on driving real-time practice change **and** sustainable quality improvement

World-Class Organizations

Performance for Clinical Analytics

Patients

Provide a positive patient experience



- ▶ Documentation errors down 92%
- ▶ Missed doses decreased 48%
- ▶ Extra doses decreased 73%
- ▶ Wrong doses decreased 36%

People

Empower employees to make the right decisions



- ▶ Reduced mortality 27.5%
- ▶ Decreased ALOS
- ▶ Improved quality of life
- ▶ Increased physician satisfaction

Process

Manage resource utilization



- ▶ 12% more volume with same capacity
- ▶ Reduced ED diversions 50%
- ▶ Reduced ED wait times 24%
- ▶ Reduced bed turnover time 71%

Payment

Ensure longevity in your community



- ▶ "Physician by Day of Stay" event logic assigns cost to correct MD
- ▶ Managed revenue and cost for episodic care

Rebecca Sykes

Senior Vice President and Chief Information Officer

Catholic Healthcare Partners

About Catholic Healthcare Partners



- ▶ Largest health system in Ohio, one of largest not-for-profit health systems in US
- ▶ 1,000+ affiliated physicians
- ▶ 100+ organizations including 27 acute care hospitals (5,000 beds), long-term care, elderly housing, homecare & hospice, wellness centers
- ▶ 9 regions serving Indiana, Kentucky, Ohio, Pennsylvania, Tennessee
- ▶ 5 Catholic organization co-sponsors
- ▶ www.health-partners.org



“It’s Not *Just* About Technology, It’s About Quality and Patient Safety”

Technology and automation are used as tools to

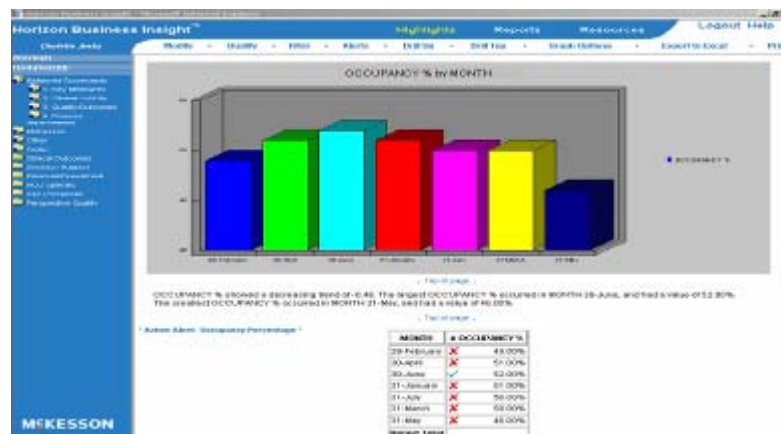
- ▶ Improve patient safety
- ▶ Increase operational efficiency
- ▶ Reduce variability of care and cost
- ▶ Drive regulatory compliance

The Metric-Driven Culture

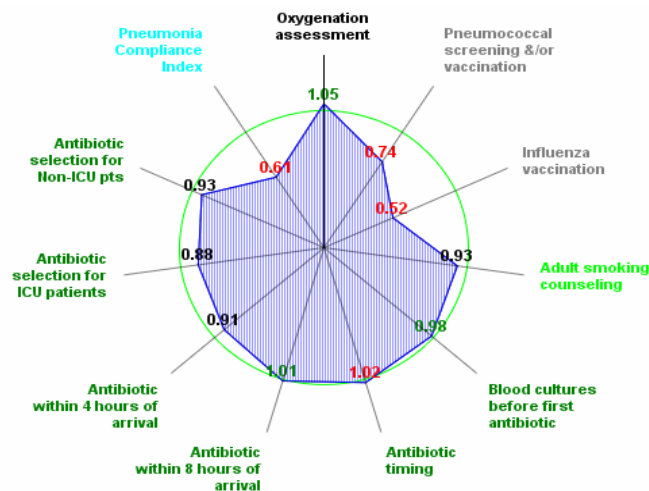


ProductivityCalc had an average value of 105.37%. The largest ProductivityCalc occurred in DEPT 0261, and had a value of 746.21%. The smallest ProductivityCalc occurred in DEPT 8154, and had a value of 8.80%.

DEPT	Dept Name	Weighted Volume	Target Productive Hours	Productive Hours	ProductivityCalc	Prod Expense	Non Productive Hours	Non Productive Expense	Over Time Hours	Over Time Expense	Ag. Hrs
8814	PATIENT ESCORT SERV	0	737	740	89.86%	0,183	228	2,799	34	934	
8815	OBSERVATION UNIT	145	1,532	1,483	103.06%	38,274	372	6,510	38	3,202	
8816	ENTEROSTOMAL THERAPY	0	960	130	193.33%	4,081	48	1,136	0	0	
8818	PALLIATIVE CARE UNIT	81	850	882	102.95%	27,882	222	5,540	92	3,390	
8819	TRANSITIONAL CARE LINE	0	0	0		0	0	0	0	0	
8822	3-A PROD PALM CARE	163	1,936	1,130	81.56%	49,588	268	8,336	126	6,393	
8823	PREN/PRECONAM	0	0	0	100.00%	181	0	0	0	0	
8824	3-B URGENTROLOGY/EYE	318	2,801	2,484	105.92%	59,634	421	11,131	140	5,104	
8826	3-C ORTHOPEDICS	268	2,198	2,250	87.76%	80,624	301	6,118	302	7,237	
8826	4-C PULMONARY/CONCPAM	285	2,850	1,879	103.59%	94,114	404	11,080	183	7,259	
8827	5-C NEURO w/1250910	447	5,806	5,018	89.89%	138,283	751	21,840	291	14,840	
8846	ACCORDATIONS	0	80	111	72.40%	3,827	24	670	0	0	
8847	SPECIAL PROJECT EDU	0	880	880	100.00%	30,158	0	182	310	12,895	
8848	MJC	6,022	736	740	88.40%	10,285	732	5,890	26	801	
8849	NURSING SUPPORT SERV	6,038	1,411	1,322	107.21%	27,435	252	4,444	26	934	
8851	3-B PEDIATRICS	222	2,477	2,311	107.16%	61,680	457	13,081	124	4,971	
8852	PEDIATRIC SURGERY	0	200	189	110.41%	4,584	48	1,037	1	21	
8853	PEDIATRIC ADAM	0	861	841	103.12%	30,285	118	3,278	0	0	
8854	PEDIATRIC PROCEDURES	0	135	137	97.00%	3,580	21	548	4	144	



Measure	Actual	Target	Achievement
Oxygenation			
Oxygenation assessment ¹	99.6%	95.0	104.89% ✓
Vaccination			
Pneumococcal screening &/or vaccination ¹	49.8%	67.0	74.38% ✗
Influenza vaccination ¹	49.8%	95.0	52.46% ✗
Smoking			
Adult smoking counseling ¹	85.7%	92.0	93.14% ⬇
Antibiotics			
Blood cultures before first antibiotic ¹	88.6%	90.0	98.40% ✓
Antibiotic timing ⁴	184.4	180.0	-2.44% ✗
Antibiotic within 8 hours of arrival ¹	96.1%	95.0	101.19% ✓
Antibiotic within 4 hours of arrival ¹	81.2%	89.0	91.28% ⬇
Antibiotic selection for ICU patients ¹	58.8%	67.0	87.80% ⬇
Antibiotic selection for Non-ICU pts ¹	88.2%	95.0	92.86% ⬇
Summary			
Pneumonia Compliance Index ¹	52.5%	86.0	61.06% ✗



Clinical Analytics

Using Clinical Quality to Drive Organizational Performance Improvement



Billie Waldo, MS RN BC
Vice President and Solution Line Manager
Acute Care Solutions

Consumer Directed Revenue Cycle HIMSS Investor Briefing

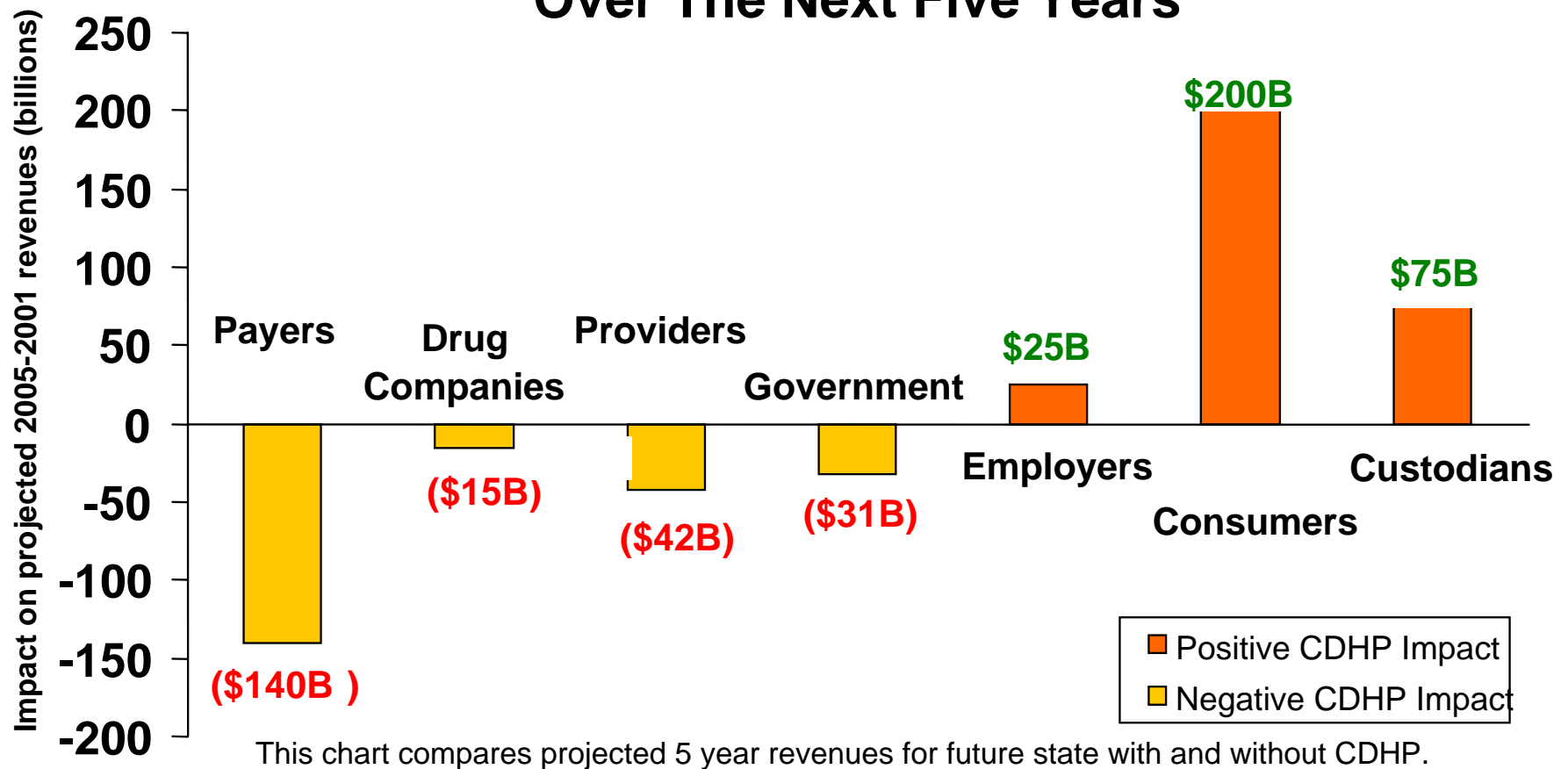


Duncan James
Group President
Health Systems

Consumer Directed Healthcare

Who's Going to Control the Money?

\$200B+ of Cumulative Revenue Will Be in Play Over The Next Five Years



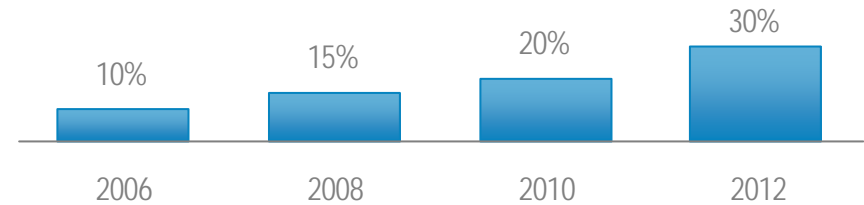
* Source: DiamondCluster, 2005

Providers Concerned With Growing Consumer Liabilities

CDHC High Deductible Plans Double or Triple Patient Responsibility Over the Next 5-10 Years



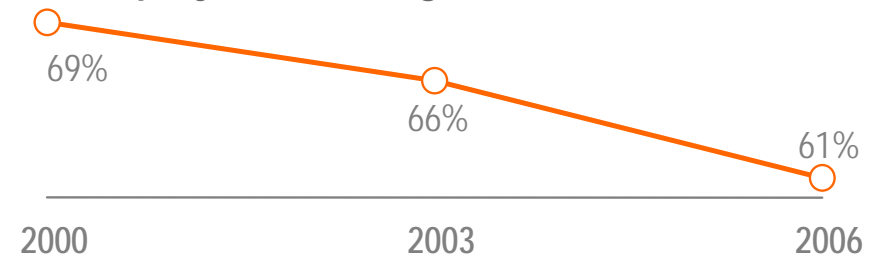
Average Patient A/R



Employers Offering Traditional Health Coverage is Declining



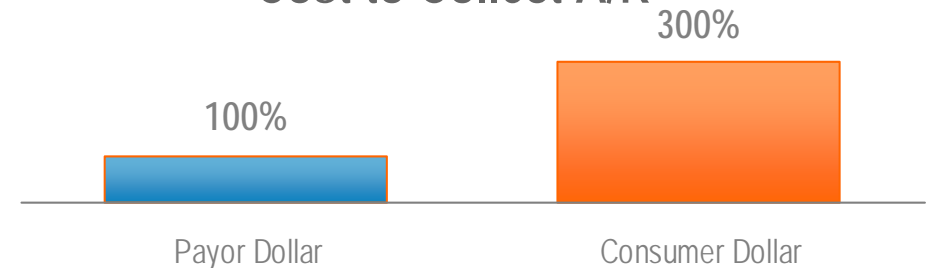
Employers Offering Health Benefits



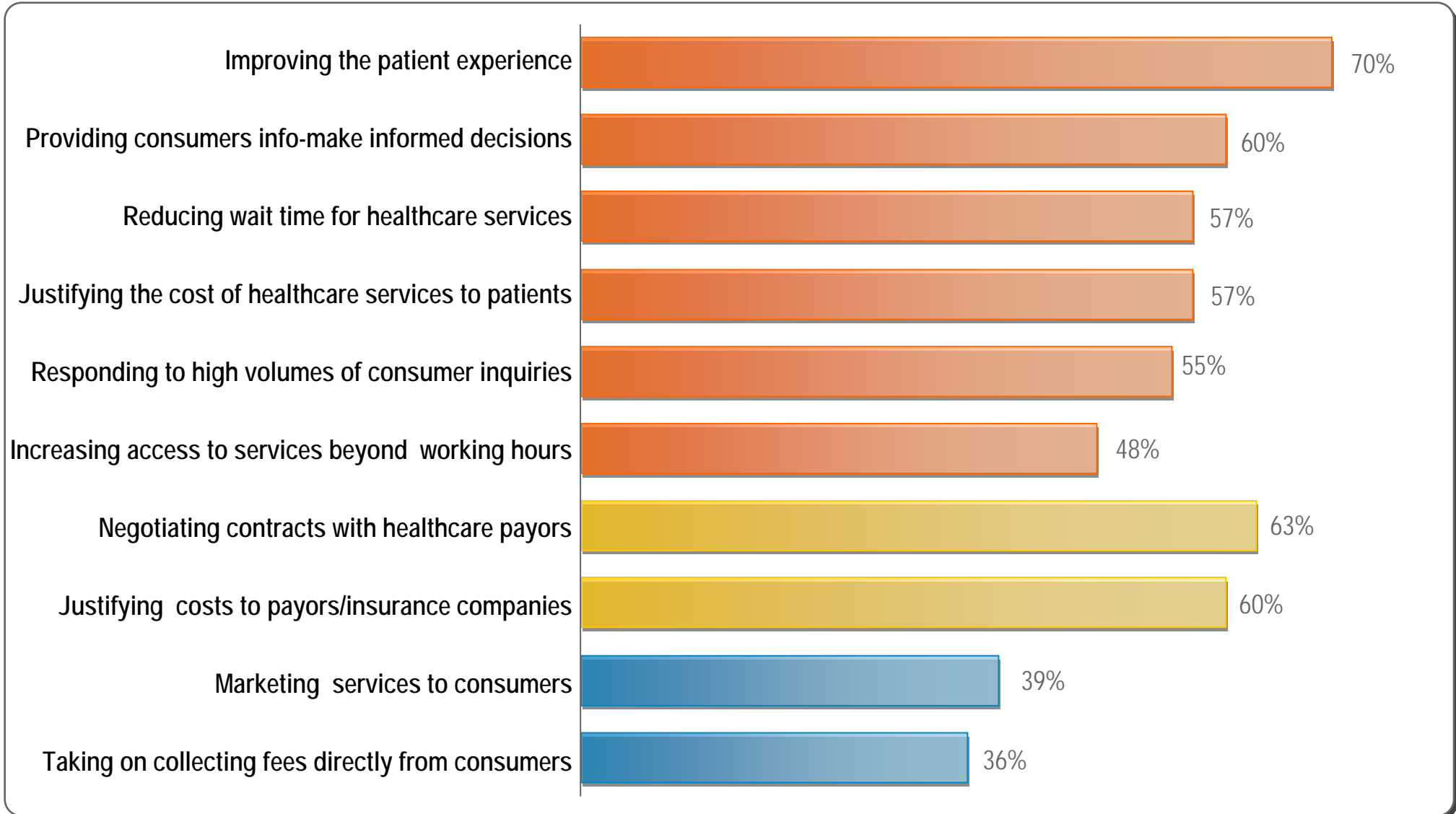
Cost to Collect from Consumers is Higher than Payors



Cost to Collect A/R



Healthcare Consumerism Impacts More Than Payments



Source: Datamonitor, October 2006

McKesson Solutions Address Need To Transform Revenue Cycle



Consumer-Directed Revenue Cycle Addresses Two Key Processes:

**Financial Clearance
Financial Settlement**

**The Result:
*Payment Transformation – Accelerated Reimbursement***

The Power to Perform...

McKesson connects the consumer to the business of healthcare from diagnosis to treatment to payment

McKesson Solutions Address Need To Transform Revenue Cycle

Consumer-Directed Revenue Cycle Addresses Two Key Processes:

**Financial Clearance
Financial Settlement**

**The Result:
*Payment Transformation – Accelerated Reimbursement***

“Over 20 years of experience in revenue cycle solutions in more than 1,300 organizations.”

FINANCIAL INSTITUTION

CONSUMER

PROVIDER

PAYOR

The Power to Perform...

McKesson connects the consumer to the business of healthcare from diagnosis to treatment to payment

Consumerism Requires Retail-Like Financial Clearance Solutions

Pre-Service Financial Clearance

- ▶ Must provide consumers cost and quality information
- ▶ Must identify patient's ability to pay and financial liability prior to service
- ▶ Need more efficient ways to reduce collection costs of self-pay dollars
- ▶ Need to respond to consumer self service expectations

Solutions Today

- ▶ Eligibility Checking
- ▶ Payment Prediction From Credit Scoring
- ▶ Charity Care Determination
- ▶ Self Service Patient Kiosk

Solutions Tomorrow

- ▶ Healthcare Transparency
- ▶ Out-of-Pocket Estimator
- ▶ HSA Eligibility Integration

Consumerism Requires Electronic Financial Settlement Solutions

Post Service Financial Settlement

- ▶ Must deliver clear and concise billing communications so patients understand their financial obligation
- ▶ Need more effective ways to collect self-pay dollars
- ▶ Need more electronic information from insurance payments to manage and prevent denials
- ▶ Automate posting and reconciliation of claims, remits, and bank funds

Solutions Today

- ▶ POS Collections Via Kiosk
- ▶ Online Bill Presentment & Payment
- ▶ Claims/Remittance Management

Solutions Tomorrow

- ▶ Payor & Consumer Payment Bank Deposit Reconciliation
- ▶ Lockbox Services Converting Paper Payment & EOB to Electronic
- ▶ Real-time Claim Submission & Adjudication

New Solutions Impact...Meet Carla



How would Carla and her provider benefit from an improved, consumer directed revenue cycle?

Carla Researches Her Planned Procedure Healthcare Cost & Quality Transparency



Carla finds pricing and quality information for her chosen provider.

“ **81% of consumers** say they would search for information on their own about physicians or hospitals. ”

BCBS Assn Consumer Preferences summary report Nov 2006

PROGRESSIVE MEDICAL CENTER

ONLINE ACCOUNT HOME | MY ACCOUNT | OBTAIN PRICE ESTIMATE | RESOURCES | BILLING POLICIES | FAQs | CONTACT US | LOG OUT

Enroll for Online Account Help

Obtain Out of Pocket Estimate

Frequently Asked Questions About Out of Pocket Expenses

Definitions of Important Terms

Estimated Patient Portion Calculation

Patient Name	Carla Shields
Account Number	A000008594

Social Security Number: XXX-XX-7862
Date of Birth: 03/25/1954
Insurance Company: Aetna
Insurance Plan: Point of Service (POS)
Type of Procedure: Eye
Procedure: Cataract removal, insertion of lens

Total Estimated Charges: \$1,414
Co-Payment: \$250
Coinsurance: \$0
Annual Deductible Remaining: \$425
Total Estimated Responsibility: \$675

MAKE PAYMENT

To see status on your payment go to [View Account Details](#)

*Estimated Insured Responsibility valid for information submitted as of January 1, 2007.

If you participate in a Health Reimbursement/Savings account, your out of pocket cost may be reduced by your balance. The information provided in this estimate is not a guarantee of final billed charges. Estimates are based on the information provided by you and your insurance company. Timeliness of claims processing may affect your overall out of pocket estimate. Professional fees, such as physician, radiologist, anesthesiologist and pathologist are not included in this estimate, and you will be billed separately. Cost estimates are based on your use of an in-network provider for your health insurance plan.

Carla Checks Herself In Self Service Kiosk Reduces Wait Time



Empower the patient

- ▶ Electronically sign consent forms during check-in
- ▶ Swipe credit card for co-pay or outstanding balance
- ▶ FSA / HSA Payment Processing
- ▶ Reduce patient wait times while registrar

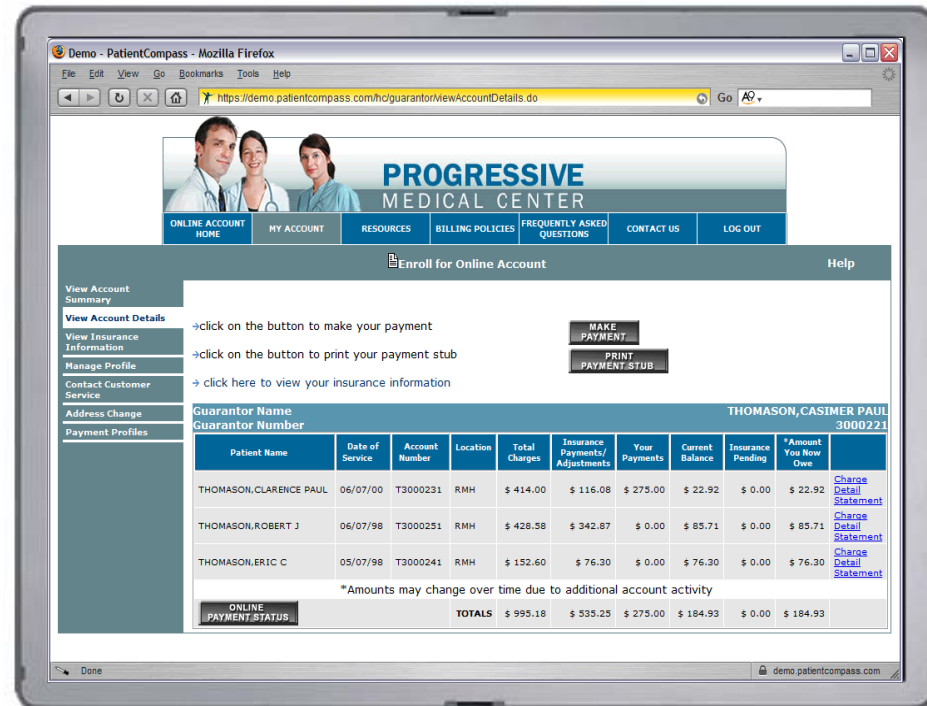
After Treatment Carla Checks Out Financial Settlement Process Underway



Pre-billing claim review and editing during treatment reduces days to final billing and shortens A/R days.

A Few Days Later...

Carla Reviews and Pays Her Statement Online



The screenshot shows the PatientCompass website interface. At the top, there's a header for "PROGRESSIVE MEDICAL CENTER" with navigation links like "ONLINE ACCOUNT HOME", "MY ACCOUNT", "RESOURCES", "BILLING POLICIES", "FREQUENTLY ASKED QUESTIONS", "CONTACT US", and "LOG OUT". Below the header, there's a section for "Enroll for Online Account" with a "Help" link. The main content area displays account details for "THOMASON, CASIMER PAUL" with a guarantor number of "3000221". A table lists patient charges and payments:

Patient Name	Date of Service	Account Number	Location	Total Charges	Insurance Payments/Adjustments	Your Payments	Current Balance	Insurance Pending	*Amount You Now Owe	
THOMASON, CLARENCE PAUL	06/07/00	T3000231	RMH	\$ 414.00	\$ 116.06	\$ 275.00	\$ 22.92	\$ 0.00	\$ 22.92	Charge Detail Statement
THOMASON, ROBERT J	06/07/98	T3000251	RMH	\$ 428.58	\$ 342.87	\$ 0.00	\$ 85.71	\$ 0.00	\$ 85.71	Charge Detail Statement
THOMASON, ERIC C	05/07/98	T3000241	RMH	\$ 152.60	\$ 76.30	\$ 0.00	\$ 76.30	\$ 0.00	\$ 76.30	Charge Detail Statement
				*Amounts may change over time due to additional account activity						
TOTALS				\$ 995.18	\$ 535.25	\$ 275.00	\$ 184.93	\$ 0.00	\$ 184.93	

At the bottom of the table, there are buttons for "ONLINE PAYMENT STATUS" and "MAKE PAYMENT".

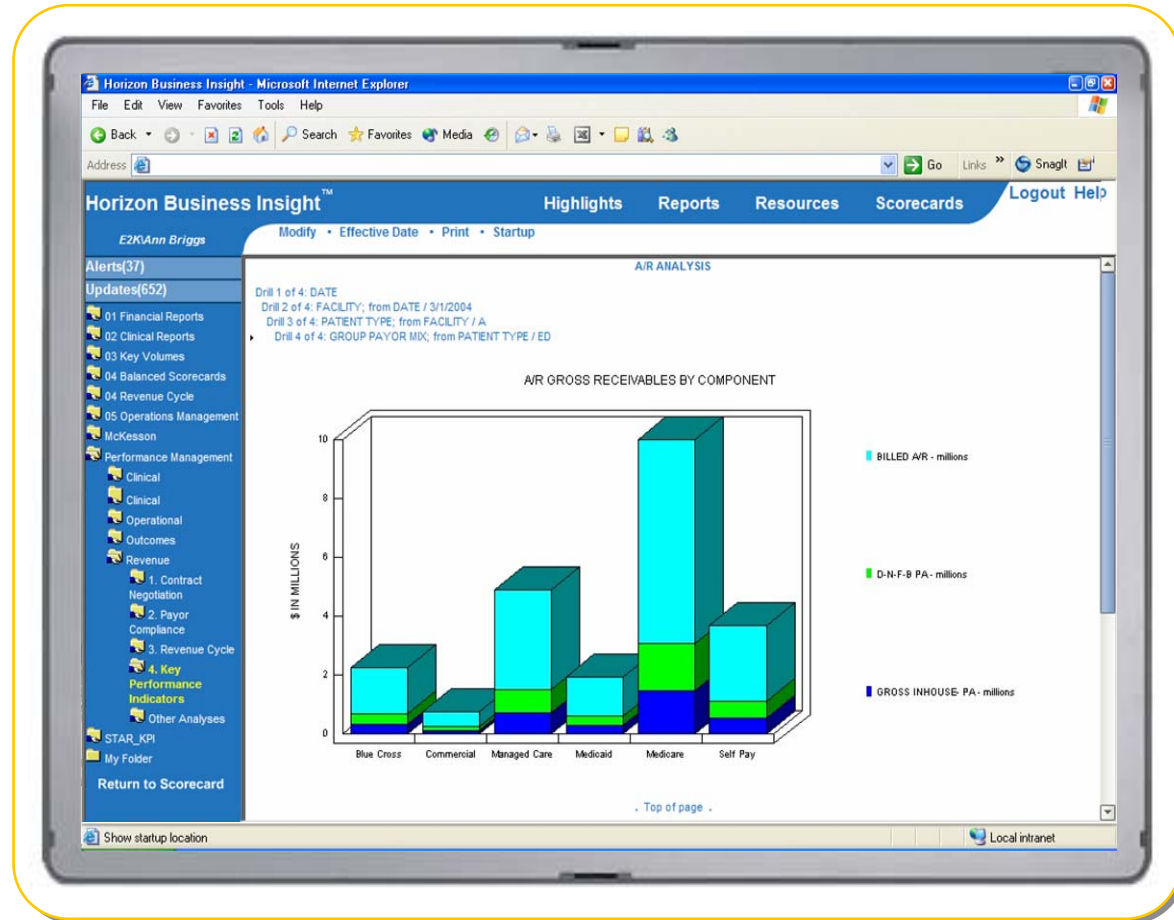
- ▶ E-mail notification of payment due
- ▶ Simple e-statement produced with immediate updates of payments from payors
- ▶ Secure, easy to use e-payment processing

Meet Bob the CFO

Scorecards & Dashboards Track Performance



- ▶ Alerts for KPI changes
- ▶ Reduce costs to collect self-pay A/R
- ▶ Improve cash flow
- ▶ Improve patient satisfaction



Consumer Directed Revenue Cycle Leveraging McKesson's Leadership Position



Consumerism will have major impact on revenue cycle

Consumer Directed Healthcare requires change in core revenue cycle processes – think “retail”

Leveraging McKesson's leadership position:

- **Over 20 years experience**
- **1,300+ healthcare customers**
- **New financial clearance and financial settlement solutions**

McKesson's Consumer Leadership



Giovanni Colella, MD, RelayHealth

Pat Dolphin, MBA, Bristol Park Medical Group

February 26, 2007

RelayHealth Consumer Service



Convenience – access doctors and office staff through the Internet

- ▶ Recent WSJ study indicated that over 75% of consumers want to access their doctor online

Organization and coordination

- ▶ Keep all of my family's health records and health finances in a single, secure location
- ▶ Benefit from system which automatically updates health record through care delivery process

Reimbursement and value – conduct a webVisit consultation and receive a prescription for the cost of a co-pay or less

- ▶ Substantial savings potential for members with CDHP benefit design

For chronic patients, manage my chronic condition better as a result of more frequent communication with my doctor

Health Plans and Employers

Value Proposition

Increased market differentiation, consumer empowerment, and sales

- ▶ 92% of 2006 survey respondents are satisfied with the RelayHealth service
- ▶ 77% stated it improves health plan satisfaction (only 3% disagreed)

Increased employee productivity

- ▶ 48% less likely to miss work; increase presenteeism

Reduced health care costs

- ▶ Independent study conducted by Stanford researcher indicates \$1.92 pmpm office-based cost savings

Platform for preventive care and chronic care management program support;
NCQA Innovations in Member Services enhancement

Connection to physician's desktop with ambulatory EMR interoperability

Recent Health Plan Expansions

Aetna

- Successful program launched in April 2006 in CA and FL
- Expansion into WA in February 2007
- First national plan to offer Medicare webVisit consultation reimbursement in CA

CIGNA

- Successful program launched in April 2006 in CA, FL, CT, NY
- Expansion into AZ including CIGNA HealthCare for Seniors (Medicare)

Providers

Value Proposition

Interoperates with other clinical and administrative systems

- Cerner
- Northwestern Memorial
- Epic
- UC Davis
- NextGen
- Hill Physicians & Lifetime Health
- HAC
- Akron Medical & Presbyterian
- GE
- Piedmont & New England Medical Center

Increases administrative and clinical efficiency

- ▶ Study conducted at UC Davis showed an 18% reduction in phone calls and a 10% increase in RVUs

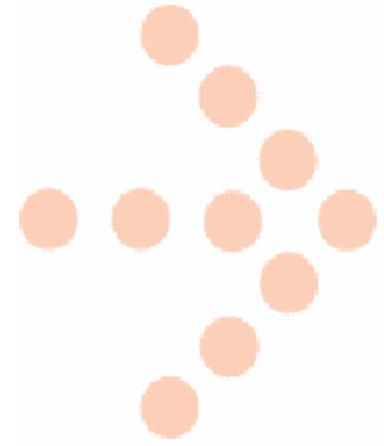
Enhances physician revenue

- ▶ webVisit reimbursement and private pay fees
- ▶ Pay-for-performance incentive opportunities

Platform for automated chronic care follow-up programs

Market differentiation and increased patient satisfaction

Customer Example



Bristol Park Medical Group, Inc., CA

- ▶ Fully deployed to 80 employed primary care physicians
- ▶ Relationship with six health plans that reimburse for webVisits and provide pay-for-performance incentives
- ▶ RelayHealth significantly improves patient satisfaction and affiliation
 - Currently have 8,000 patients enrolled on the service
- ▶ RelayHealth is a valuable part of BPMG's clinical processes

Bristol Park's Future Vision

- ▶ Permits patients to become better educated about their health
 - Allowing patients to make informed medical decisions

- ▶ Integrates with our Personal Health Tracker system
 - Send reminders via RelayHealth

- ▶ Integrates with our Pay for Performance (P4P) software
 - Facilitates Patient Outreach

Why Did We Choose RelayHealth

- ▶ Secure messaging system
- ▶ Industry-trusted solution
- ▶ Web-based application is easy to implement for MD's and patients
- ▶ High level of reliability
- ▶ Good customer service

How RelayHealth Works for Bristol Park Medical Group

- ▶ Easy to deploy with the less tech-savvy, resistant MDs
- ▶ Simplifies complex workflows with routing rules
- ▶ Simultaneous satisfaction for doctors and patients

Highly Recommended and Regarded by Bristol Park Physicians and the Patients that Use It