

Investor Day 2008



Frederick P. Rose Hall, New York City
June 19, 2008

Ana Schrank

Vice President
Investor Relations

2008 Investor Day Agenda

- Ana Schrank – Welcome, Agenda and Safe Harbor
 - John Hammergren – Healthcare and McKesson Overview
 - Paul Julian – McKesson Distribution Solutions
 - Break
 - Pam Pure – McKesson Technology Solutions
 - Jeff Campbell – Financial Review
 - Q&A and Wrap-up
 - Meeting Adjourns
-

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. Financial information is presented here in summary form. Full details are provided in the Company's most recent Annual Report on Form 10-K. All of this information is available at www.mckesson.com. The Company assumes no obligation to update or revise any such statements, whether as a result of new information or otherwise.

John Hammergren

Chairman and
Chief Executive Officer

Media Headlines Focus on Challenges Facing Healthcare...



Nationwide, an estimated \$30 billion in medical bills go unpaid every year.

- Star Tribune May 17, 2008

Care harms 1 in 15 hospitalized kids; Medicine problems include bad reactions, overdoses and mix-ups, a study says. 22% are called preventable.

- Los Angeles Times – April 7, 2008

US health care workforce is woefully unprepared to meet the needs of the 78 million aging baby boomers.

- Oncology Times: 10 May 2008

Wasted medical dollars ; 'Defensive medicine' isn't good for doctors, patients or our health care system.

- USA Today – April 28, 2008

One and a half million Americans are injured each year as a result of medication mix-ups at hospitals, pharmacies and nursing homes.

- WXYZ Channel 7 Action News– May 20, 2008

... While Healthcare Is at the Center of Political Debate in Washington

What major economic opportunity will history hand to the next President? The answer is health care.

- Fortune Magazine – May 26, 2008



47 Million Americans Living without Health Care is a Crime..

- U.S. Senator Maria Cantwell – April 29, 2008

"none of the presidential hopefuls have come to grips with our skyrocketing health care costs,"

- Washington Times – May 27, 2008

Health care spending per capita has "been growing about one-third faster than the economy,"

- Isabell Sawhill – former director OMB May 26, 2008

Challenges Facing Pharmacists



Pharmacist



Challenges Facing Physicians



Wegener's Granulomatosis
Chemical Oxidation
Drug 1 = 1000/14
1. Total of 175 mg/dl = 2800 mg. W/O
Sims & Thorne 10/1/14
2. Attention also
Corticosteroids AUC = 6
Corticosteroids = AUC = 6000/25
= 6 = 6000/25
= 470 mg W/O
x 1 dose
3. Attention
Total 2000 mg W/O
Corticosteroids
Corticosteroids 2000 mg W/O
Attention 2000 mg W/O



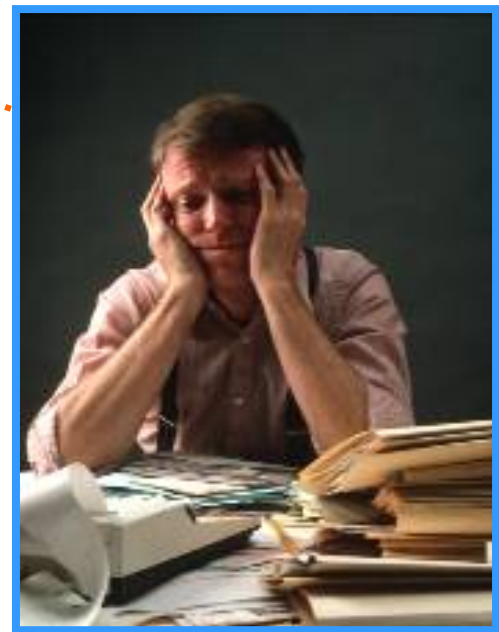
Challenges Facing Hospitals



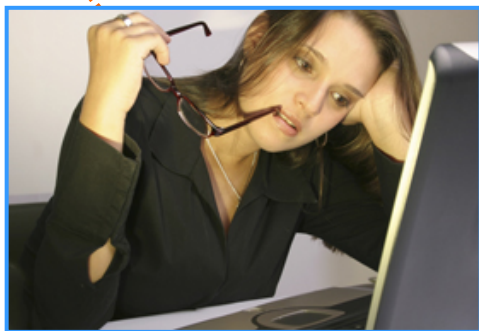
Hospital



Challenges Facing Payors



Payor



McKesson Sits at the Center of Healthcare with a 360 Degree View



Paul Julian

Executive Vice President,
Group President

McKesson Distribution Solutions

Profile of McKesson Distribution Solutions Business Units

U.S. Pharmaceutical

- Distribution
- Adherence
- Health Mart
- Packaging
- Generics

Medical-Surgical

- Alternate site markets
- Moore Medical
- Zee Medical
- Cypress
- Sterling

International Pharma Distribution

- McKesson Canada
- Nadro (Mexico)

Pharmacy Systems and Automation

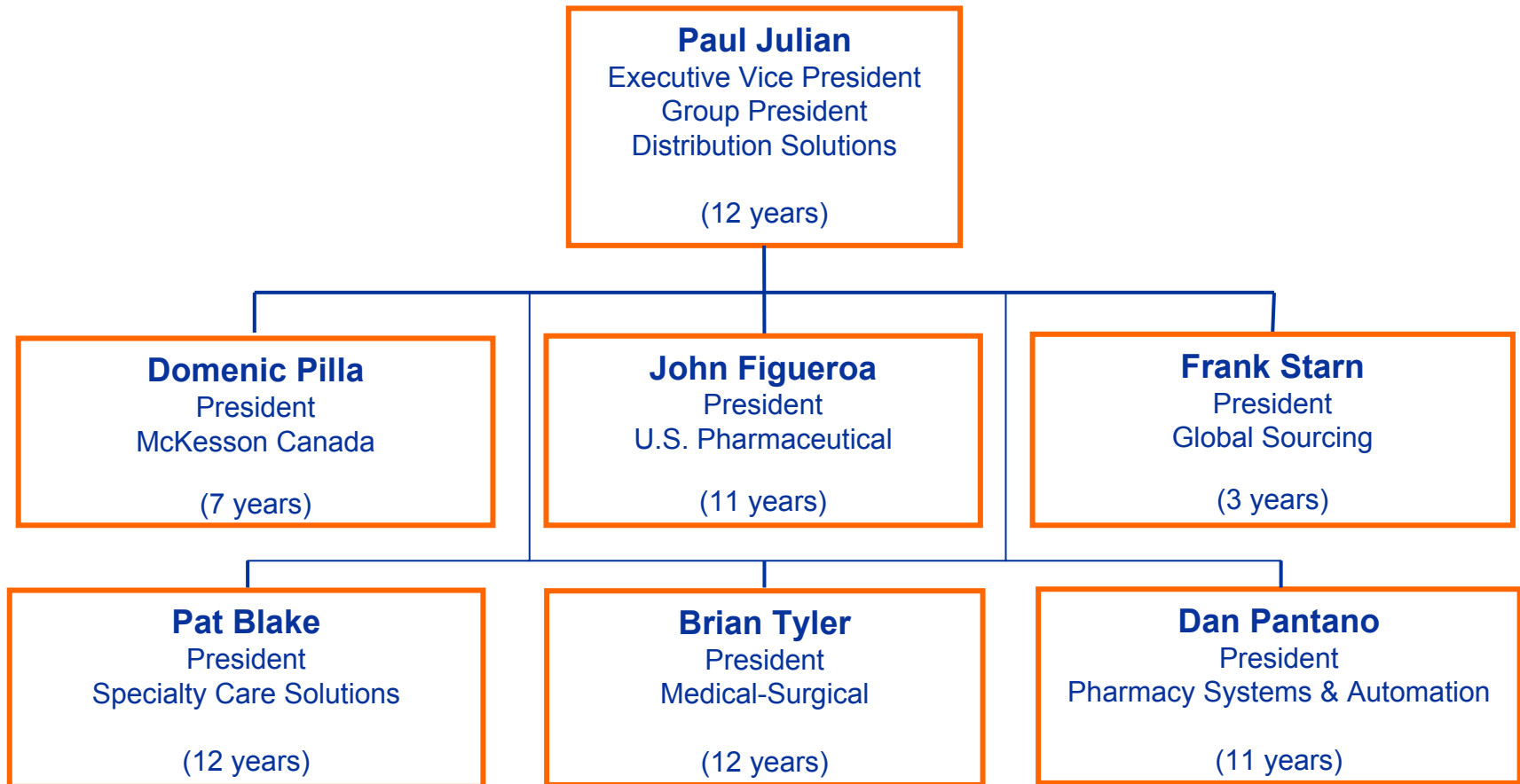
- McKesson Pharmacy Systems
- High Volume Solutions
- Parata Systems

Specialty/Biotech

- Specialty Distribution
- Specialty Pharmacy
- Reimbursement & Access Services
- GPO & Information Services

McKesson → #1 or #2 in every segment
Revenue reached \$98.7B in FY08

Experienced Management Team



Major Accomplishments

U.S. Pharmaceutical

#3 → #1 market share

Hospital: \$6.5B → \$17B

Mail: \$1.5B → \$13.9B

Health Mart: 262 → 2,000

Grew operating margin

Grew generics at over 4 times market rate*

Maintained 99.96% outbound order quality;
Achieved inventory accuracy of 99.995%

Canada

Grew pharma market share 33% → 39%

Acquired Phase 4, establishing the only national specialty services company

Medical-Surgical

Divested acute care

Acquired Moore, Sterling, Cypress

Expanded McKesson Brand 5% → 12%

Specialty/Biotech

Acquired OTN

Expanded technology and service offering

Expanded reimbursement expertise and leadership

Pharmacy Systems & Automation

Merged Baker APS into Parata

Acquired Per-Se Technologies; pulled through over \$500M in new MCK business

McKesson Is the Premier Choice Among Customers



Pharmacy Supplier of the Year
Overall Corporate Supplier of the Year



Best Overall Distributor



Service Excellence



Pricing Accuracy – Best in Class



Business Partner of the Year



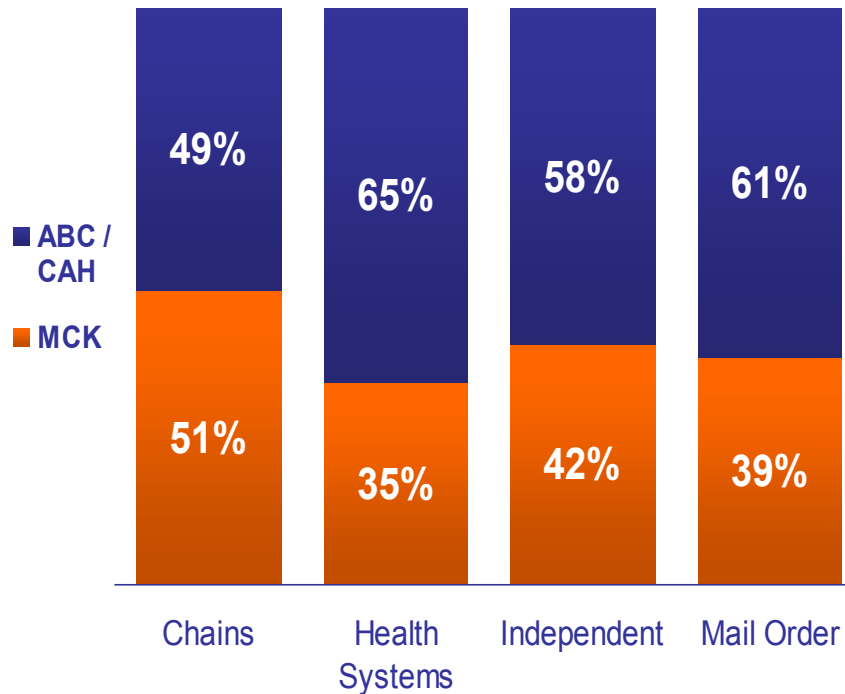
Best Overall Wholesaler

McKesson Has a Leading Position

Chain, Health Systems, Independent, Mail Order

U.S. Pharmaceutical

FY08 Position by Segment
(Big 3=100%)



Source: IMS Health DDD data, MCK analysis & estimates

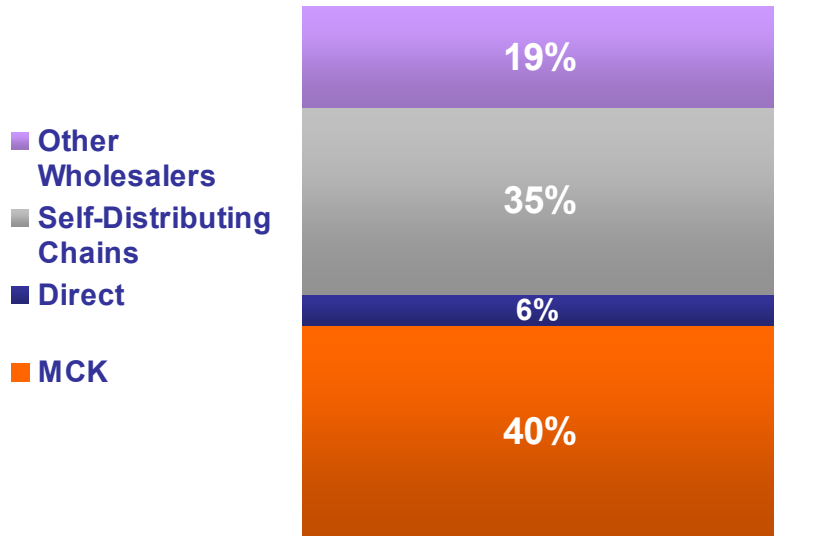
Notes: Health Systems Select Sub Categories; Independent share uses Mck ISMC / IMS Independent (1-3 stores); Mail – Mck estimates

McKesson Has a Leading Position

McKesson Canada is a clear market leader in pharmaceutical distribution

Retail Distribution

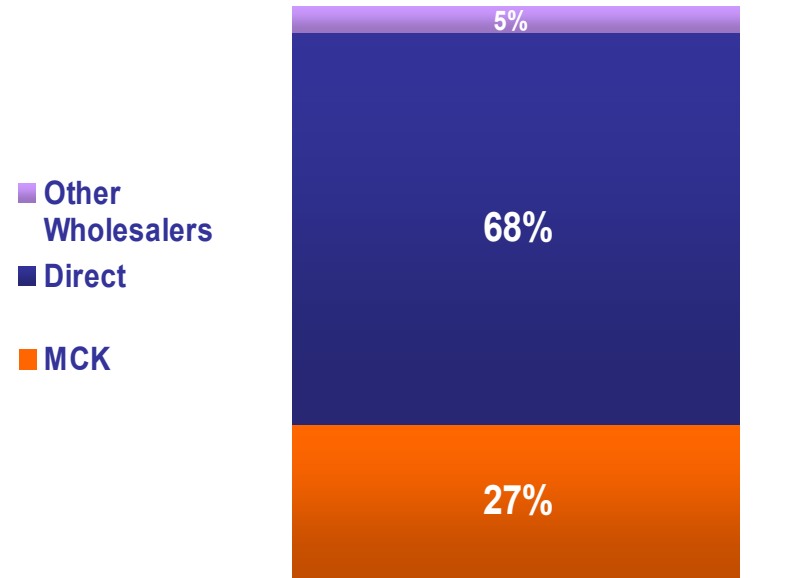
Approximate market size:
~\$17.1B



Sources: IMS Canada and internal analysis.
Note: Market share is based on 12 month data ending March 2008.

Hospital Distribution

Approximate market size:
~\$2.2B



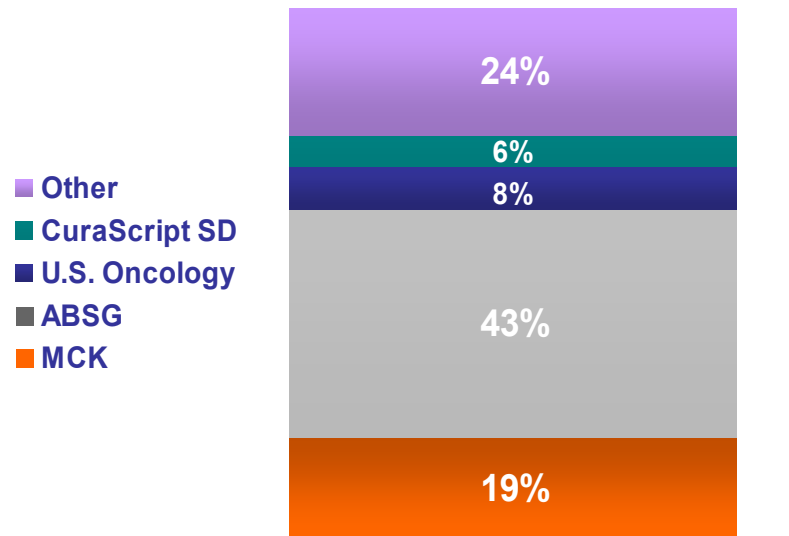
Sources: IMS Canada and internal analysis.
Note: Market share is based on 12 month data ending March 2008.

McKesson Has a Leading Position

With the acquisition of OTN, McKesson is #2 in specialty product distribution

Specialty Product Distribution

Approximate market size:
~\$25B



Sources: estimated 2007 share based on company revenue reporting, analyst reports, and internal analysis.

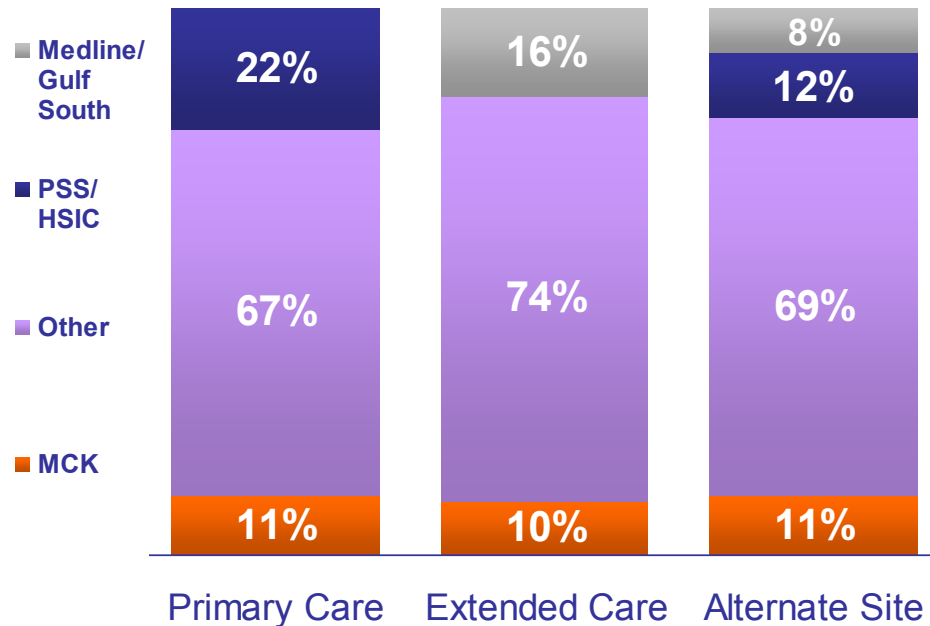
Note: Market size based on Goldman Sachs 2008 Distributor Report; Other includes smaller niche distributors including blood distributors.

McKesson Has a Leading Position

Primary Care, Extended Care and Alternate Site

Medical-Surgical

FY08 Position by Segment (Large "Other" Space)

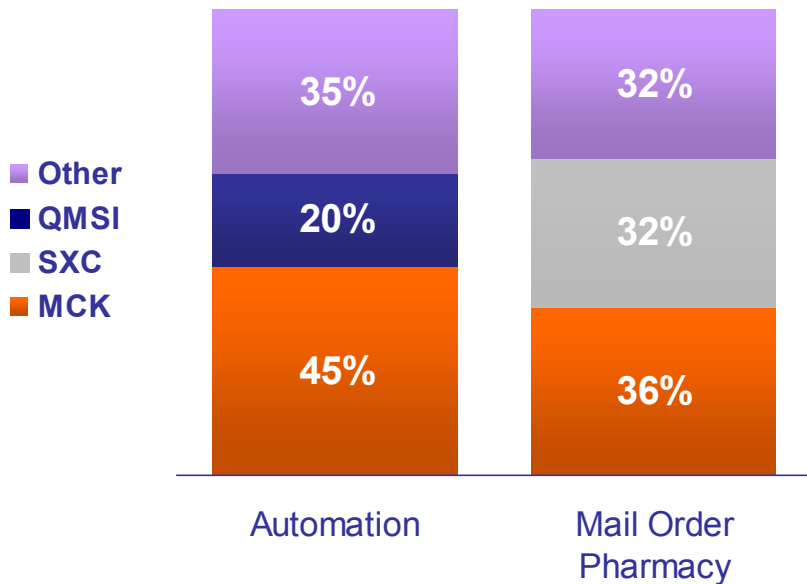


McKesson Has a Leading Position

Leading in Automation and Mail Order Pharmacy

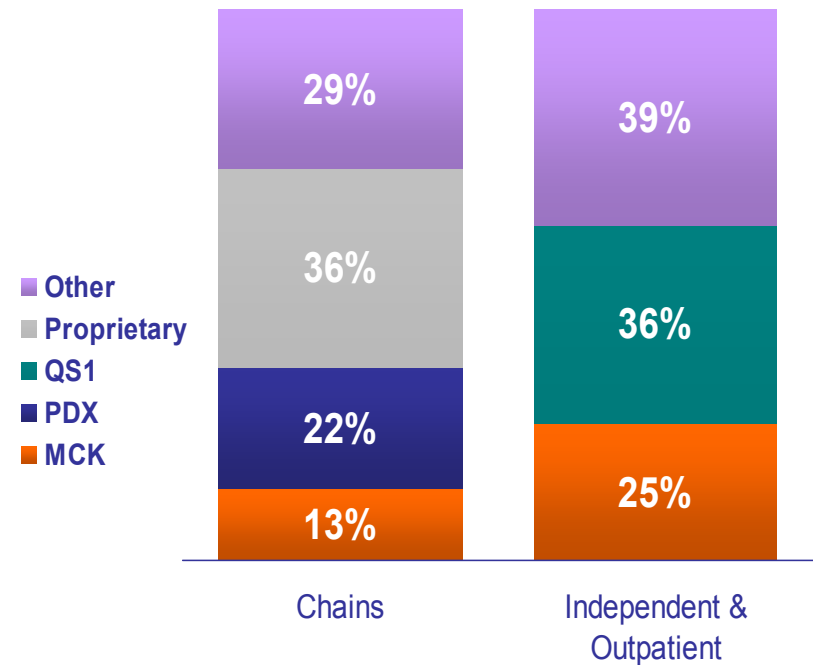
Automation & Mail Order

FY08 Position by Segment



Pharmacy Systems

FY08 Position by Segment



Source: estimated share based on three year contract award cycle
Note: Mail Order Pharmacy market estimate based on Outsourced Commercial Software

Source: NACDS Member Directory & Chain Analysis Data, MCK internal analysis.

U.S. Distribution Solutions Industry Environment

- Total pharmaceutical market forecasted to grow at 3% - 6% CAGR from 2008-2012*
- Generics comprised 65% of scripts in 2007 and could reach 69% by 2010
- Public Policy
- FFS entered second generation and stable
- Patient safety remains at the forefront of policy matters
- Solid medical-surgical organic growth of 5%-7%
- Highly fragmented medical-surgical market
- Specialty/biotech growth at 10%

U.S. Pharmaceutical Has a Broad Value Proposition

Independent Pharmacy



- Distribution Excellence
- Health Mart Franchise
- OneStop Generics
- Managed Care / Contracting
- Automation
- Pharmacy Systems
- Sunmark Private Brand

National Chain Pharmacy



- Distribution Excellence
- Re-Distribution Center
- Central Fill
- Generics
- Six Sigma
- Automation
- Consumer Analytics

Mail Order



- Distribution Excellence
- Automation
- Generics
- Central Fill
- Pharmacy Systems

Health Systems



- Distribution Excellence
- Patient Safety Solutions
- Clinical Consulting
- Clinical Outsourcing
- Pharmacy Systems
- Packaging
- Outpatient Pharmacy
- OneMcKesson
- 340B Solutions
- Generics

McQueary Acquisition

- Family-owned regional pharmaceutical distributor serving Midwest & South
- ~\$650M/yr in revenue
- 470 customers; primarily independent retail pharmacies
- \$190M purchase price
- Strategic rationale
 - retain sales organization
 - eliminate duplicate G&A costs
 - realize one-time working capital synergies
 - bring McQueary onto our buying and customer-facing programs to capture scale economies
- Integration on track

Opportunity to Increase Proprietary Generics Program Penetration

Segment Sales

Penetration

Independent and Small Chain

+ + + + +

National Chain – non warehouse

+ + + + +

National Chain – warehouse

+ + + + +

Mail Order – warehouse

+ + + + +

Health System – outpatient

+ + + + +

Health System – inpatient

+ + + + +

Long Term Care

+ + + + +

+ = penetrated + = positioned for growth + = under-developed

All segments have opportunity for incremental sales growth as market momentum builds and customers look for generic Rx purchasing and distribution solutions with proven track record

McKesson Canada Has a Broad Value Proposition

Community Pharmacy



- Distribution excellence
- Full-line Rx, OTC & consumer products
- Web-based order management
- Retail banners
- Automation
- Home health care products
- Administrative and supply chain services

Hospitals & Institutions



- Distribution excellence
- Flexible distribution options
- Web-based order management
- Inventory Management Tools
- Integrated distribution solutions
- Automation
- Information technology solutions: Horizon, Imaging

Manufacturers



- Customized specialty drug distribution solutions
 - Reimbursement consulting & health economics
 - Patient marketing registries
 - Consolidated distribution model options
- Third party logistics services
- Specialty pharmacy and patient services
- Informatics

McKesson Specialty/Biotech Has a Broad Value Proposition

Community Specialty Care Providers



- Distribution Excellence
- In-Office Rx & Vaccines
- Inventory Management & Charge Capture Tools (Lynx)
- Practice Management & EMR
- Reimbursement Reporting
- Clinical tools & guidelines
- Oncology GPO

Manufacturers



- Customized specialty drug distribution solutions
- GPO and Physician Services (2,600+ member clinics representing 4,600+ MDs)
- Clinical and Information Services
- Reimbursement Hotlines & Patient Assistance Programs
- Reimbursement strategy consulting & health economics
- Patient marketing registries
- Patient education programs
- Logistics expertise

Payors



- Patient-specific dispensing
- Clinical & reimbursement support
- Oral oncology programs
- Medication Therapy Management
- Information and reporting services

Specialty delivers quantifiable value to healthcare providers, manufacturers and payors through our technology solutions, information services, and clinical and process expertise, enabling specialty care in the community setting

- Strategic rationale driven by expanded presence with community oncology customer and alignment of technology-based value proposition
- Integration work on track and expected to be complete in September 2008
- Integration creates scaled specialty competitor with #2 market position

Pharmaceutical Distribution FY09 Core Priorities

- 100% Retention of Key Customers
- Integrate McQueary Acquisition
- Win in Generics
- One McKesson / Differentiated Value
- Distribution Excellence
- Strengthen Buy-Side
- Mitigate Public Policy Risks
- Optimize Network and Information Technology
- Expand Canadian footprint with other McKesson offerings
- Complete OTN integration
- Continue Specialty/Biotech growth and service offering development

Medical-Surgical Has a Broad Value Proposition

Primary Care



- Distribution Excellence
- Medical Supplies & Equipment
- In-Office Rx & Vaccines
- In-Office Lab
- McKesson Brand Products
- Practice Management & EMR
- Inventory Management Tools

Home Care



- Distribution Excellence
- Medical Supplies & Equipment
- Respiratory
- Vaccines
- McKesson Brand Products
- Inventory Management Tools
- Direct-to-Patient Services
- Spend Utilization Management

Surgery Centers



- Distribution Excellence
- Medical Supplies & Equipment
- McKesson Brand Products
- Inventory Management Tools
- Cost Savings Services
- Pharmaceuticals

Extended Care



- Distribution Excellence
- Medical Supplies & Equipment
- Vaccines
- McKesson Brand Products
- Formulary & Inventory Manager
- Budget Manager
- Charge Capture
- Reimbursement Services

Occupational Health



- Distribution Excellence
- Medical Supplies & Equipment
- McKesson Brand Products
- Inventory Management Tools
- Vaccines

Medical-Surgical FY09 Core Priorities

- Grow at market, balanced across 4 major segments
- Operating leverage in all segments / functions
- Category management / margin expansion in each category
- Private Brand penetration
- Acquisitions / framework for accelerated growth
- EMR

Distribution Solutions Summary

- #1 pharmaceutical distributor in U.S., Canada and Mexico
- #1 in pharmacy automation and mail order pharmacy solutions
- #1 independent retail pharmacy franchise – Health Mart
- #1 buyer of generics
- #1 alternate site medical-surgical supply distributor
- #2 in specialty/biotech

Break

Pamela Pure

Executive Vice President,
McKesson President

McKesson Technology Solutions

Healthcare Leadership Strategy

Patient



Hospital

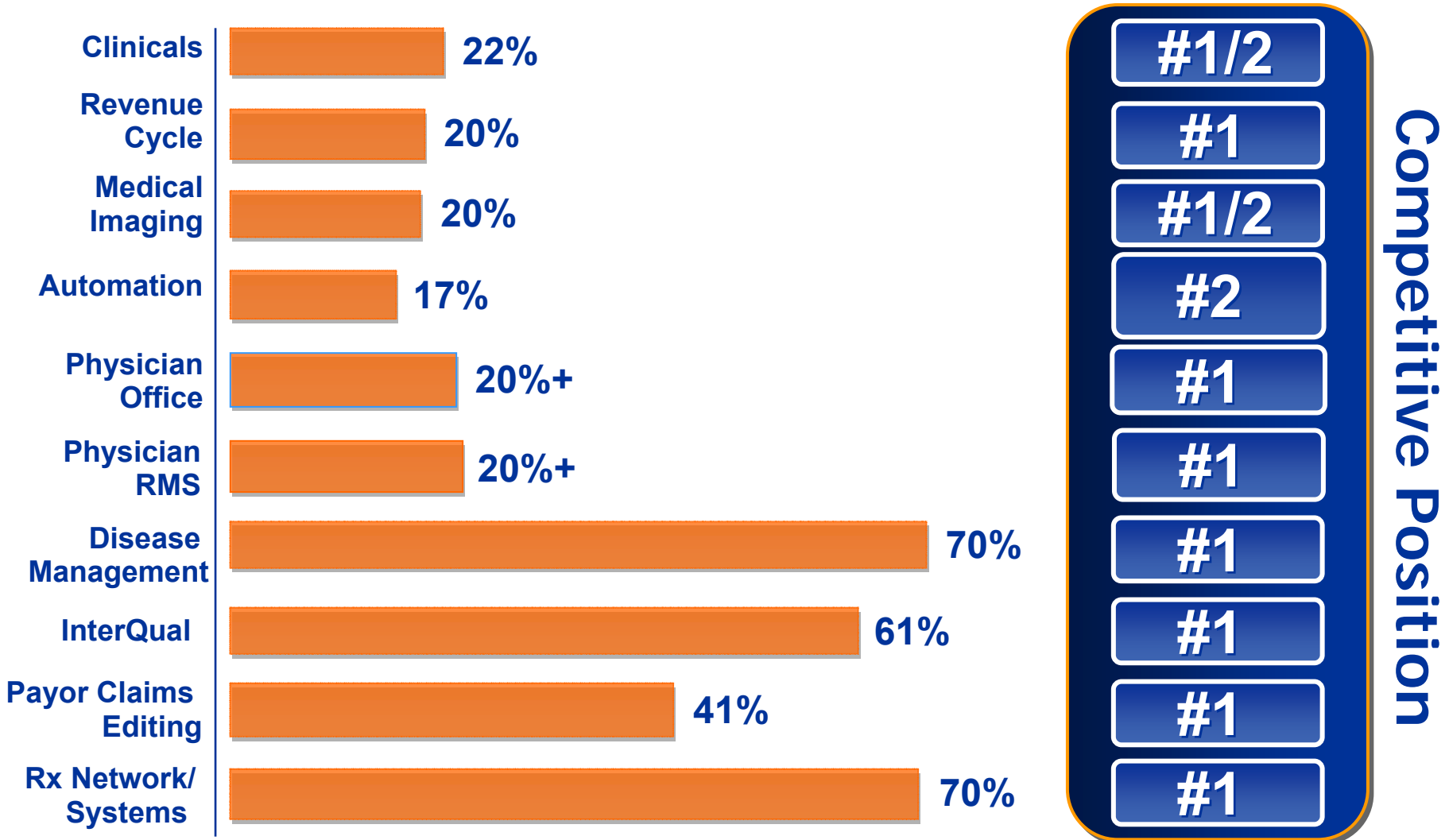
Physician Office

Payor

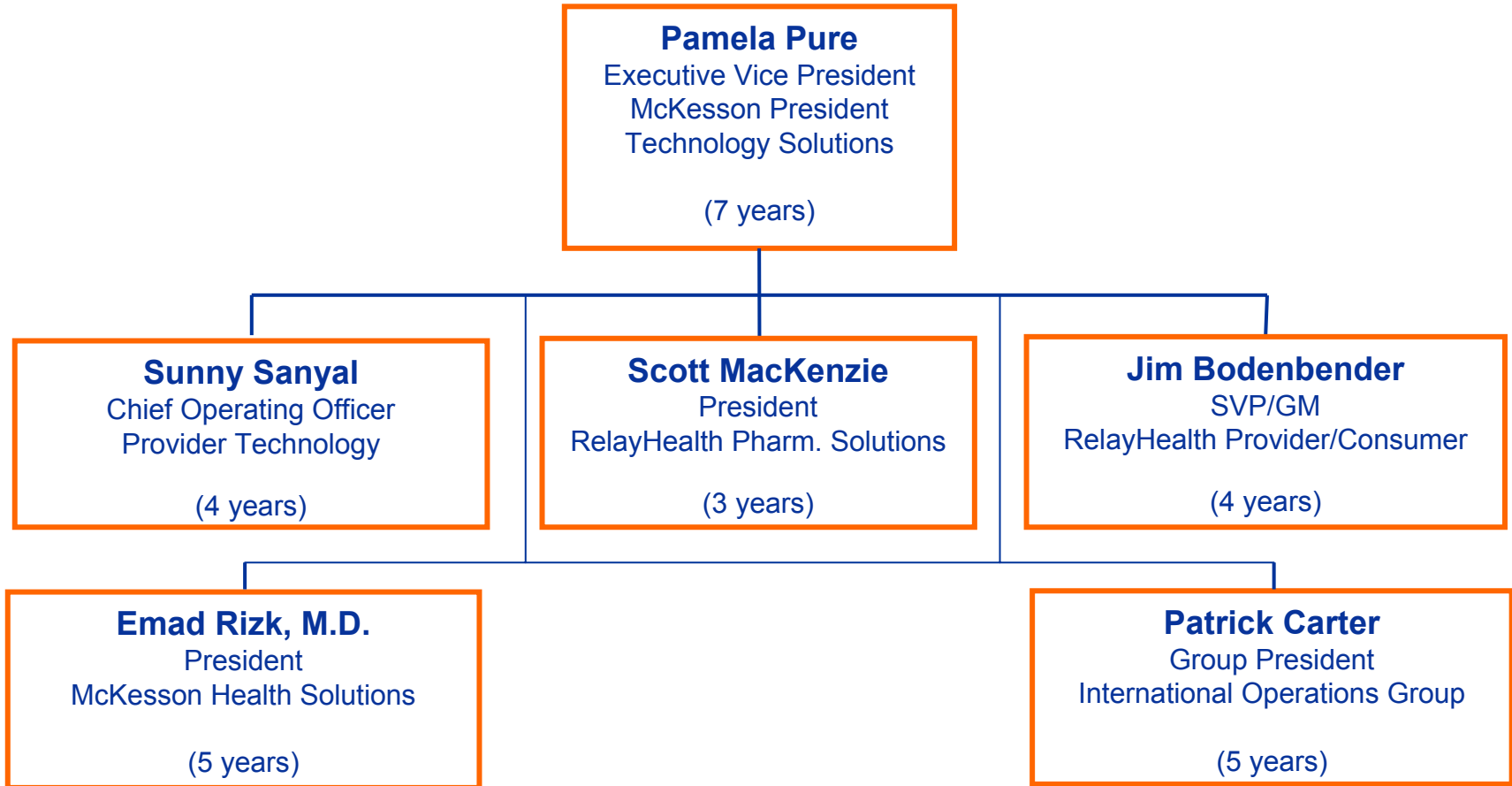
Pharmacy

Connectivity by RelayHealth

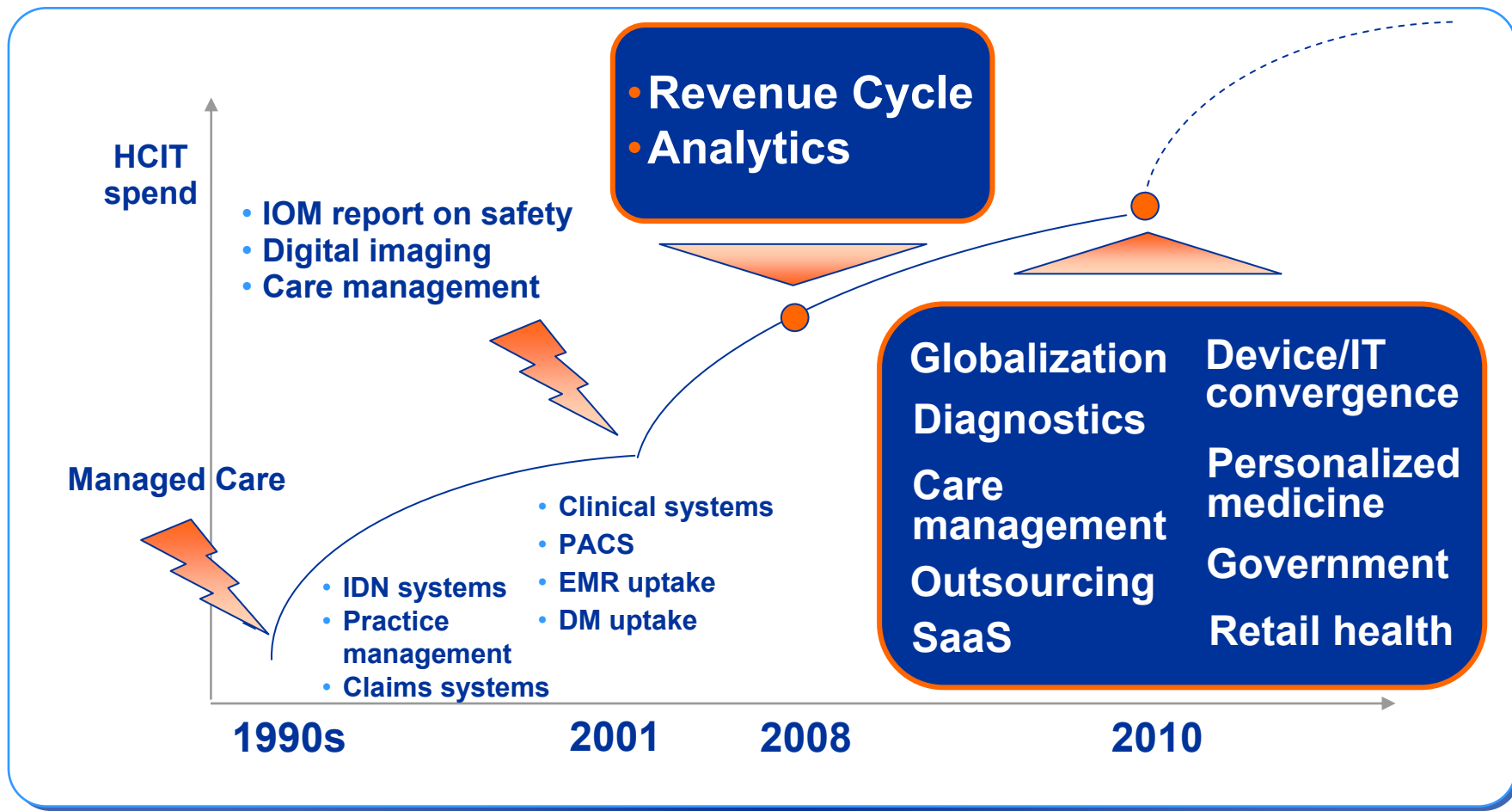
We Have Broad Industry Leadership...



...And an Experienced Management Team



Market Continues to Evolve New Opportunities Emerging



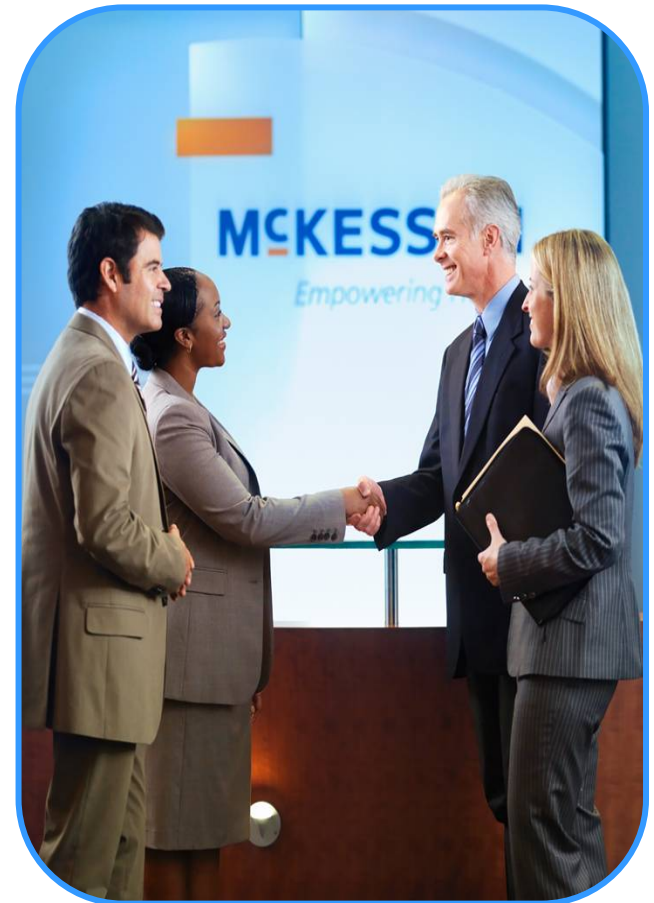
Quick Updates



New Since HIMSS

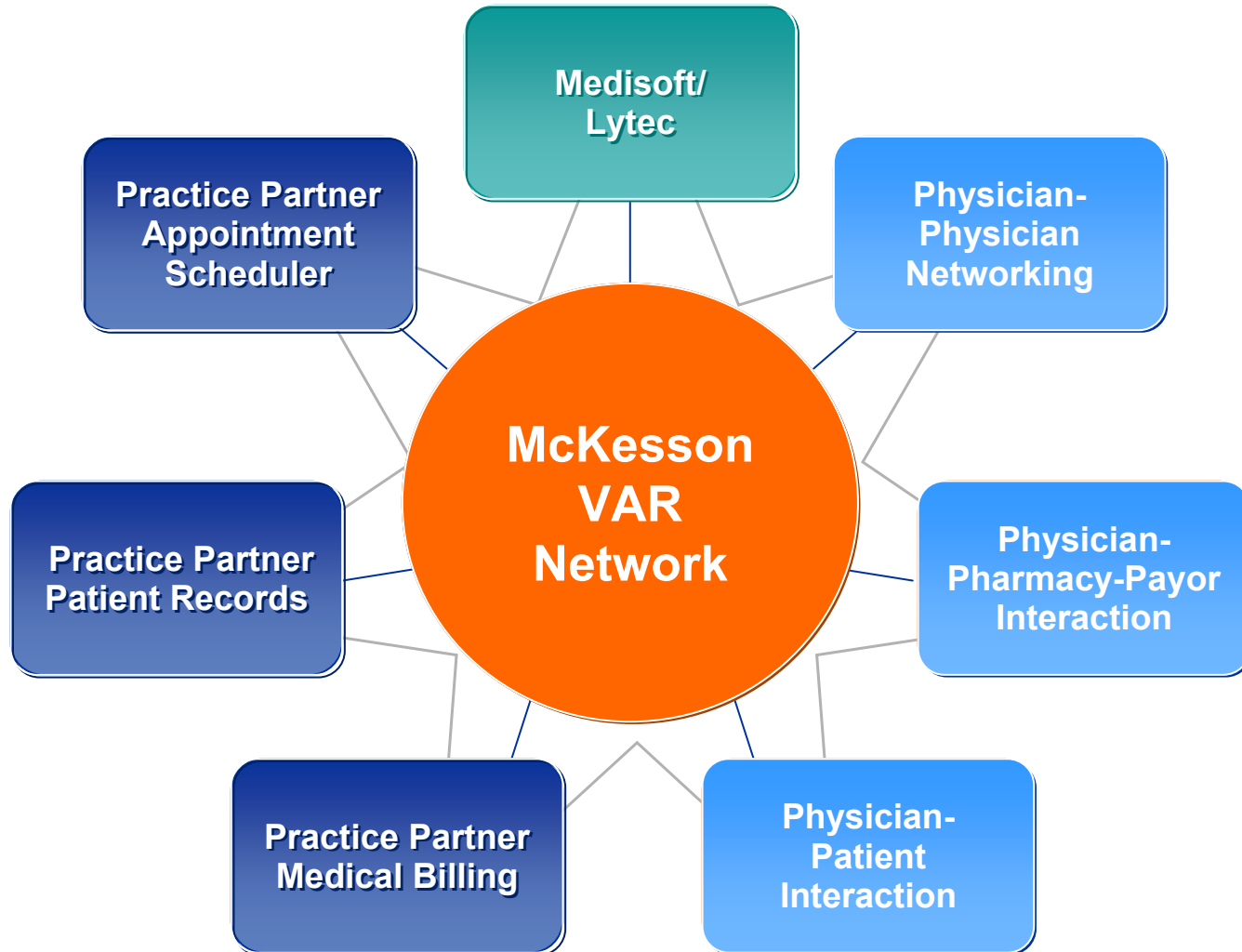
Significant Wins

- **Beebe Medical Center**
Clinicals, Managed Services
- **Virginia Commonwealth**
Medical Imaging
- **Lucile Packard Medical Group**
Physician Revenue Management
- **St. Luke's Episcopal**
“One McKesson”
- **>300 hospitals licensed**
InterQual in FY08



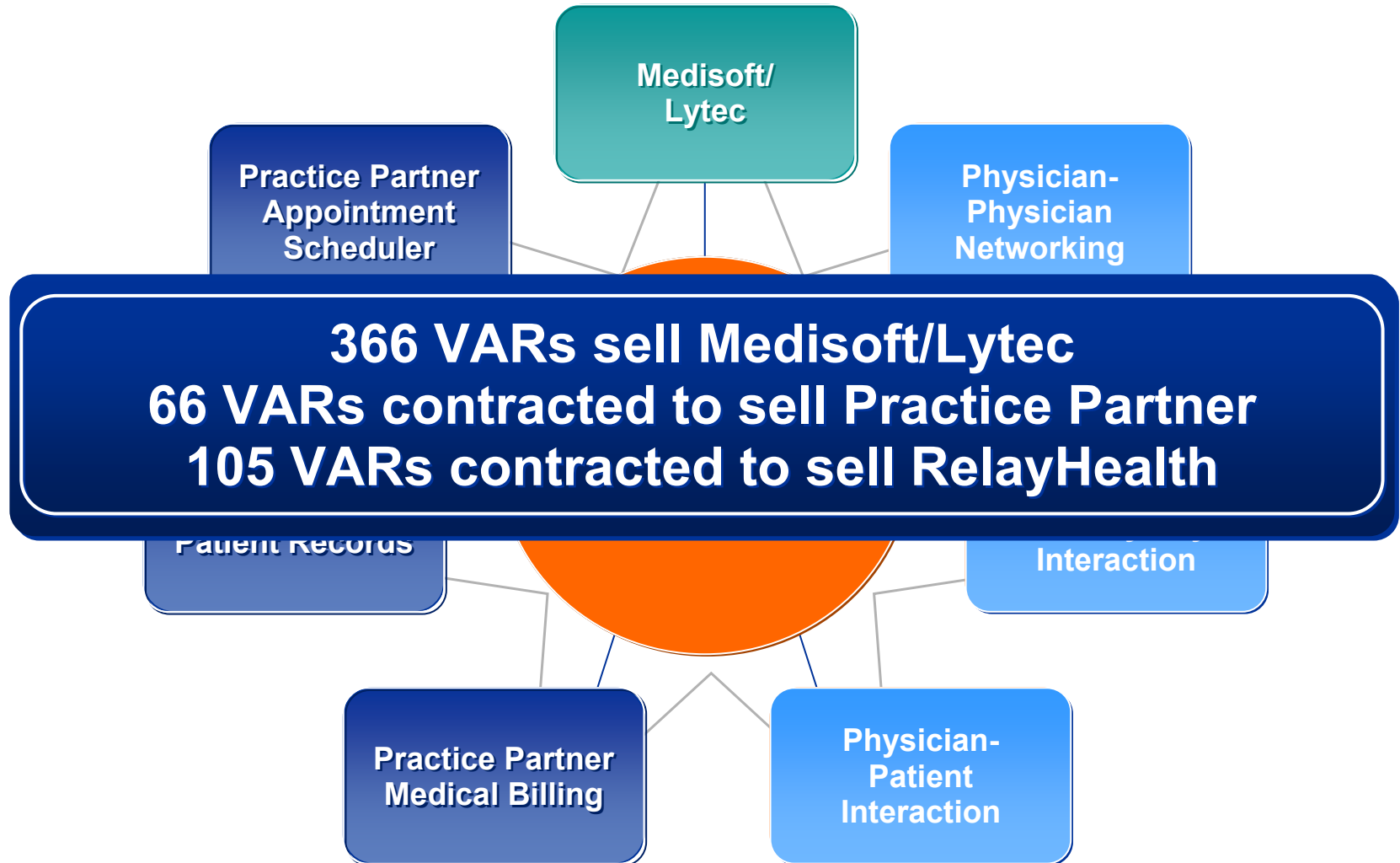
New Since HIMSS

VARs Provide Reach to Small Practices



New Since HIMSS

VARs Provide Reach to Small Practices



New Since HIMSS

Illinois Success - Dept of Healthcare & Family Services

Largest and most complicated Disease Management program

- **Your Healthcare Plus™** innovative DM program
 - Three-year program designed to reduce inpatient and emergency room utilization, avoid unnecessary costs and improve quality of care
 - 221K eligible beneficiaries, complex medical and behavioral conditions
- Staff broken into 24 catchment areas across Illinois
- **Estimated Net savings** of nearly **\$34 million** after program fees
- **Decreases** in **inpatient admissions** ranged from **8.5% to nearly 20%**
- **Increased** Program participants **an average of 18%**



New Since HIMSS

Partnering to Improve Patient Safety



- Industry leaders with patient safety as a strategic priority
- Near-term focus: fighting hospital-acquired infection
 - Development of disinfection protocols for mobile computing devices in the hospital setting
 - Pilot activities to measure results – goal is to deliver meaningful improvement over current practices

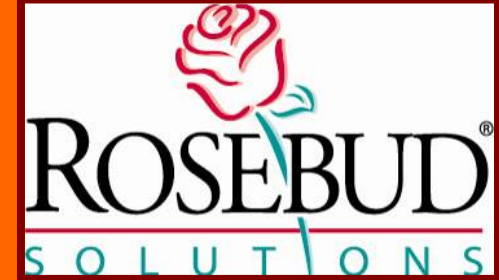
Introducing Three New Acquisitions to Strengthen Our Portfolio



**Managing
reference
cases**



**Connectivity
to address
uncompensated
care**



**Helping to gain
control of
specialty assets**

McKesson Continues To Set The Bar



Setting the Bar to Extend Leadership

- Reinventing revenue management to improve the economics of care
- Driving demand with enterprise imaging
- SaaS and connecting for competitive advantage

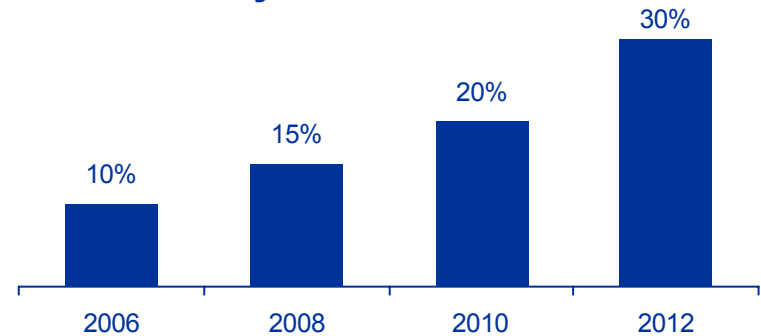
Managing the Economics of Care

The Impact of Consumer-Driven Healthcare

- **Higher deductibles = increasing self-pay balances**
 - Average self-pay AR is 10%, will double or triple in 5–10 years



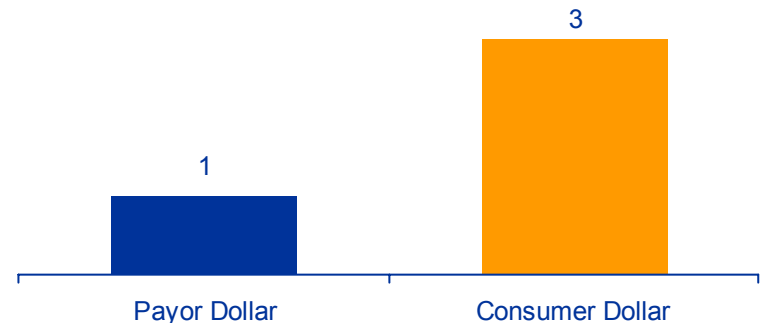
Co-Pays and Deductibles



- **Growing shift in A/R mix consumer responsibility from payor to self-pay = rising total cost to collect**



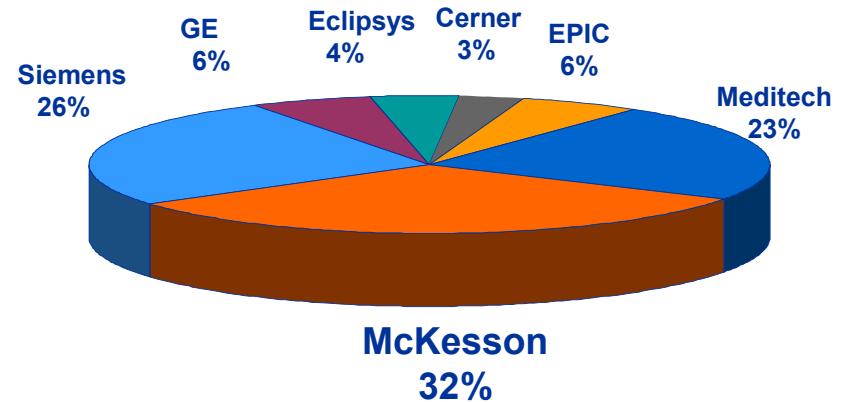
Cost to Collect



30 Years of Expertise

- **1200+ facilities**
- **1800+ commercial, employer & government plans**
- **Over 100,000 doctors using practice management systems**
- **\$1 trillion+ charges and payments connected annually between physicians, hospitals, payors and financial institutions**
- **Breadth of portfolio**
 - Software, technology, services
 - Best of provider, payor and connectivity technologies

**Combined Market Share by Application Presence
Operating Expenses >\$100M**



Source: The 2008 HIMSS Analytics™ Database (derived from the Dorenfest IHDS+ Database™)

Note: Area is ADT, Patient Billing, EDI, Contract Mgmt market share over \$100M OE

- 1200+ facilities
- 1800+ commercial, employer

Combined Market Share by Application Presence
Operating Expenses >\$100M

**We created a team to
REINVENT
the revenue cycle process**

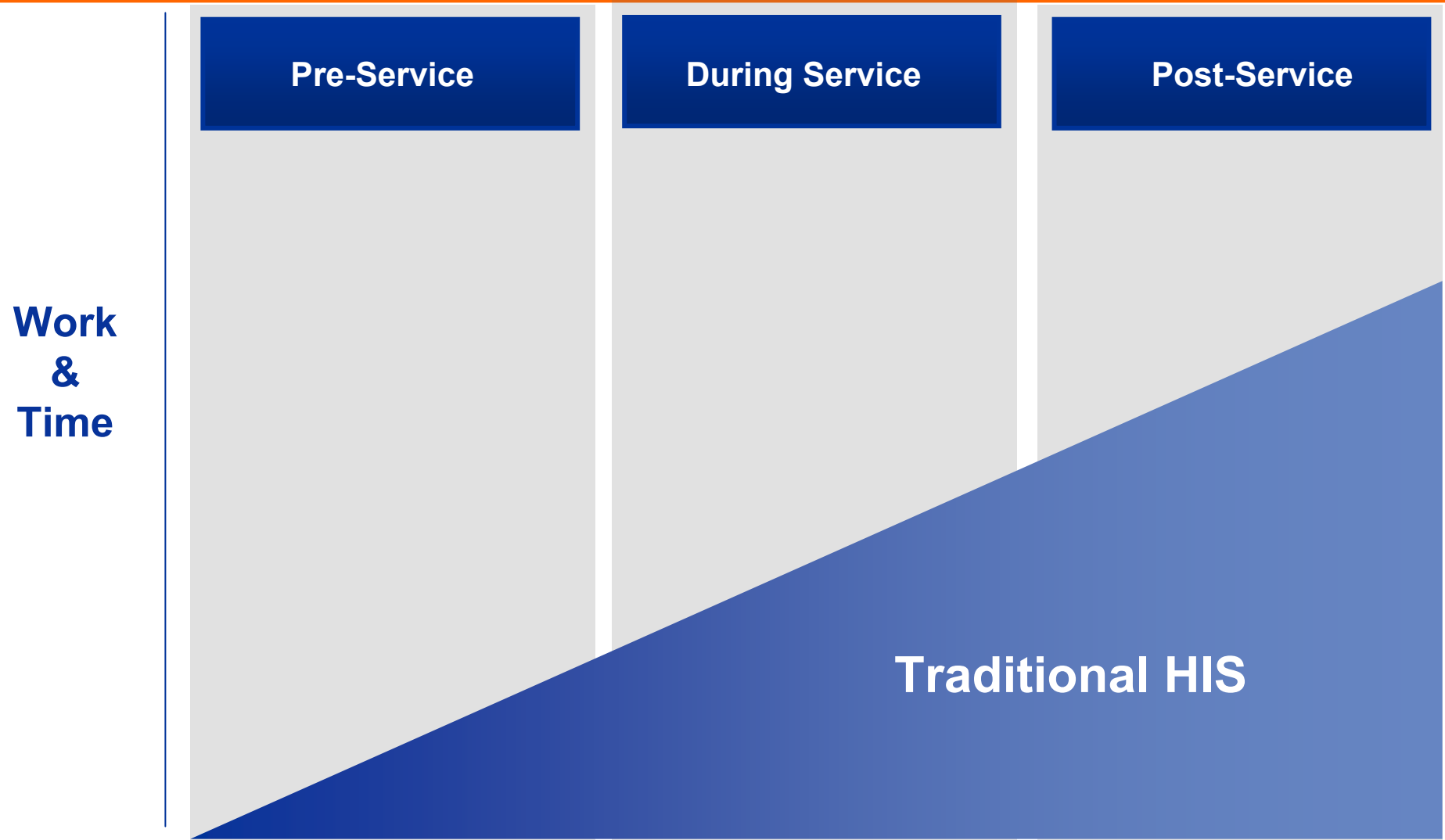
payors and financial institutions

- **Breadth of portfolio**
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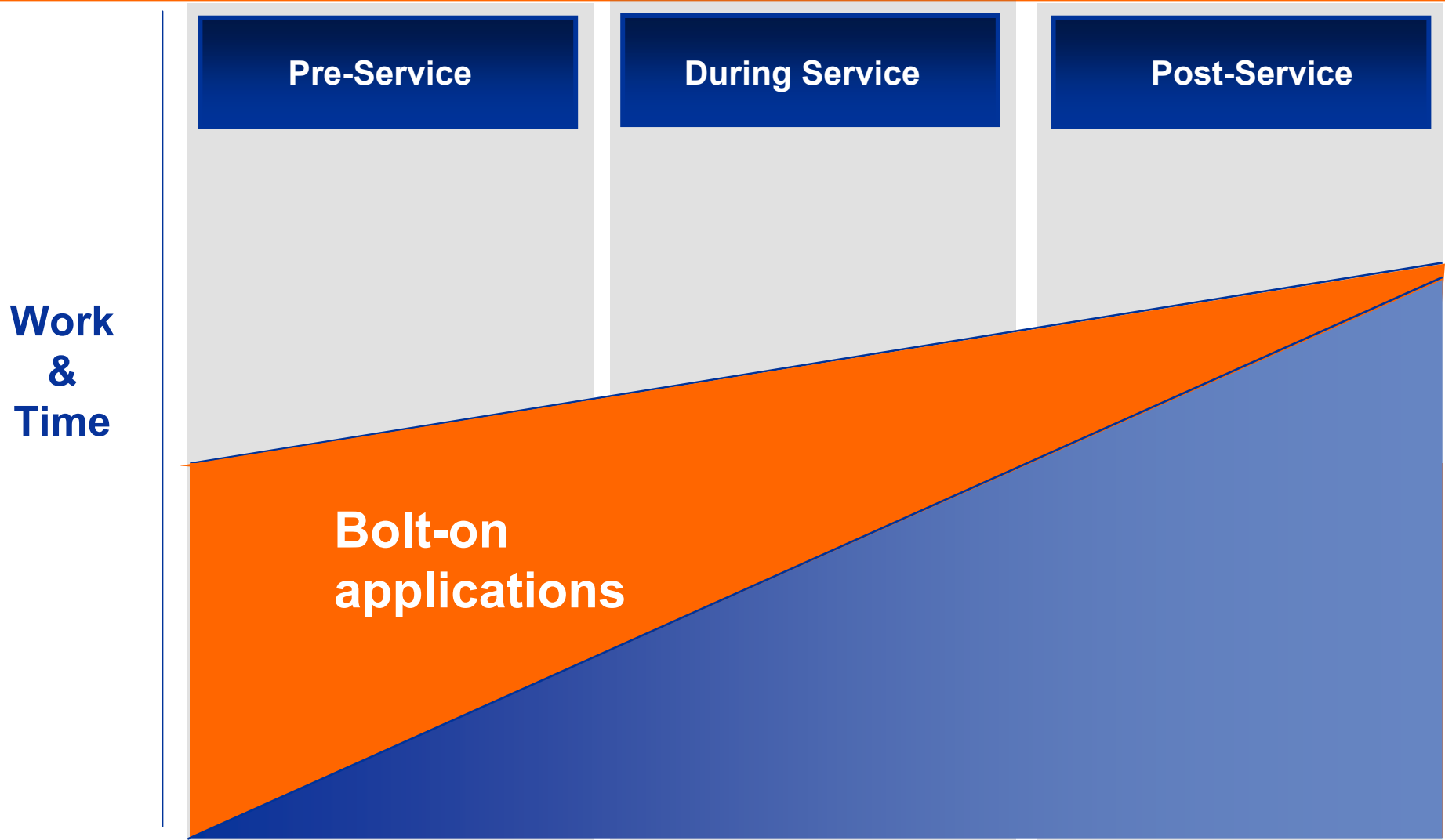
Today's Revenue Cycle

Most Work & Time Occurs Post Service



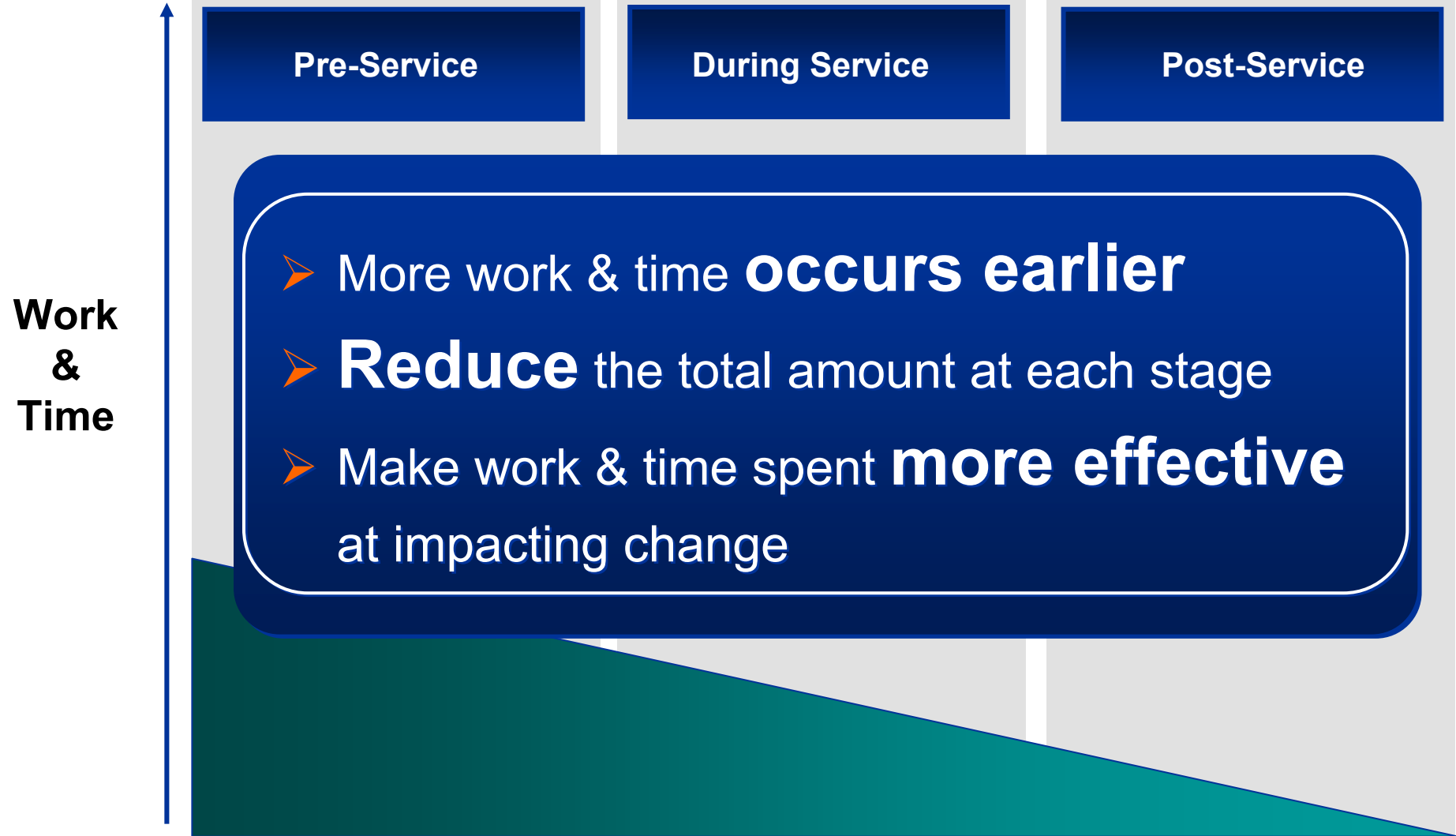
Today's Revenue Cycle

Bolt-on Applications Add to Work & Time



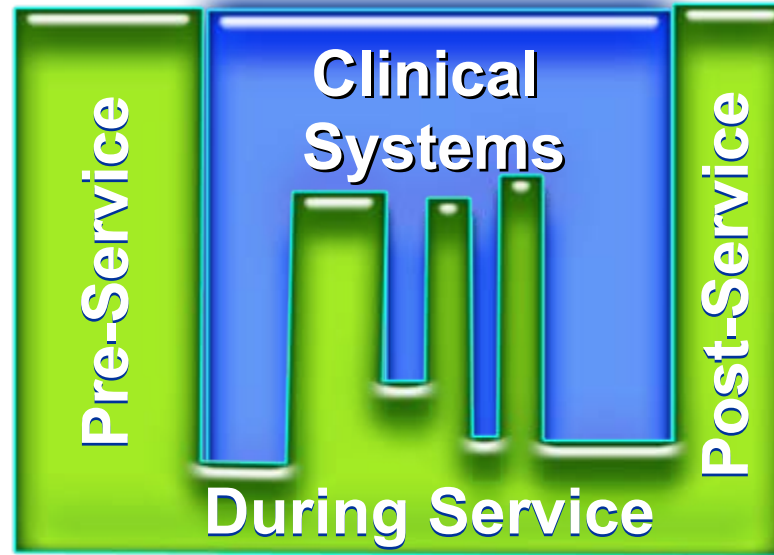
Future Revenue Management Cycle

Our Goal is to Reinvent



Horizon Enterprise Revenue Management

Reinventing to Improve the Economics of Care



Open

Horizon Enterprise Revenue Management

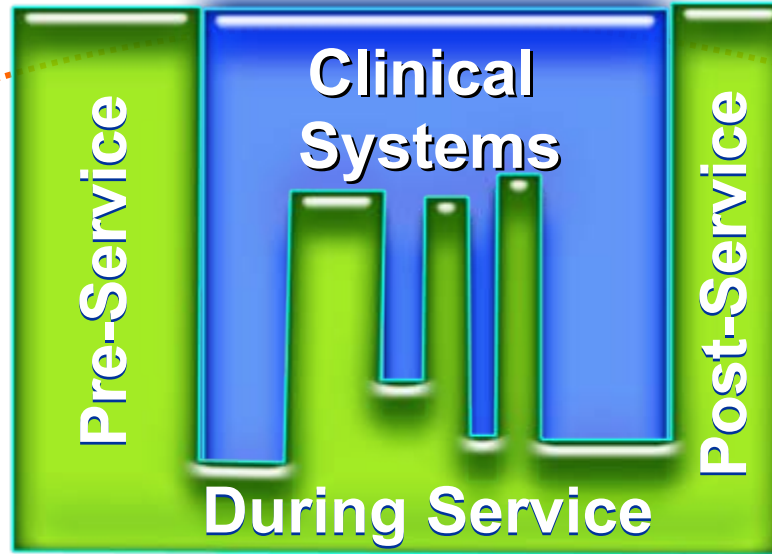
Reinventing to Improve the Economics of Care



Physician



Patient



Financial Institution



Connected



Payor



Horizon Enterprise Revenue Management

Reinventing to Improve the Economics of Care

Predict Cash Flow

- Payment timing
- Payment experience
- Current payor mix
- Denial history
- Regulatory trends
- Changes in LOS
- Historical bill holds

Pre-Service

Clinical
Systems

Post-Service

During Service

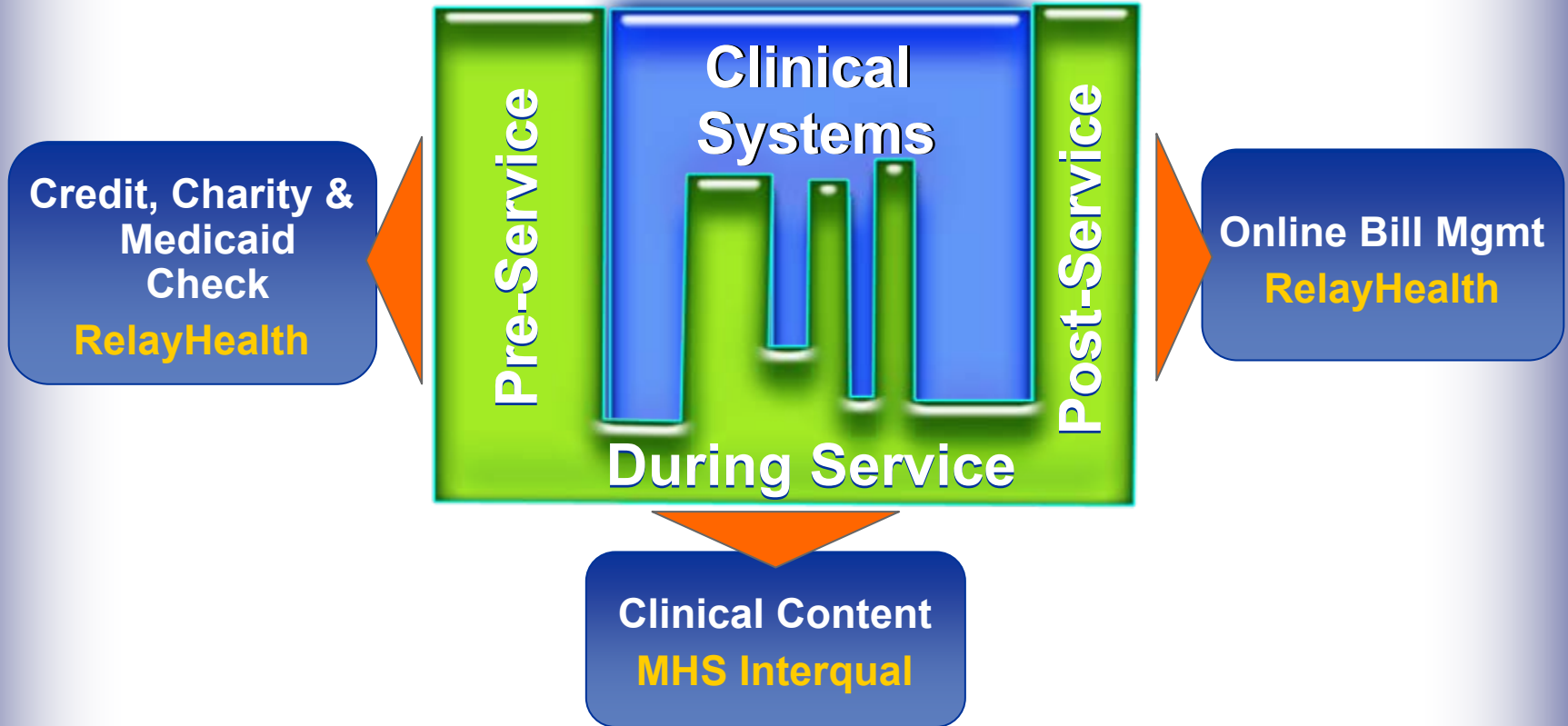
Predict Capacity

- Current bed reservations
- Historical bed occupancy
- LOS
- Seasonal trends
- Admission rates
- Surgical scheduling

Predictive

Horizon Enterprise Revenue Management

Reinventing to Improve the Economics of Care



Complete

How Do We Reinvent?

An Example: Reinventing “Back-end Processing”

Open Predictive Connected Complete



Patient discharged or care complete



Claim and bill is created at time of discharge and sent directly to clearinghouse or payor



Clearing house edits claim, if rejected a paper report is generated and corrections made and claim is resent to clearing house



Claim is sent to payor

- ▶ **STEPS: 70% Reduction in the Number of Steps**
- ▶ **FTE's: 20% Reduction in FTEs**
- ▶ **TIME: 50% Fewer Days to Claims Submission**

Performance Improvement Model

Sample Customer Benefit

Customer Demographics

*One Acute-Care Facility, 250 Beds * Net Patient Revenue: \$266M*

<i>FOUR KEY AREAS OF IMPROVEMENT</i>	Annual Benefit	5 Year PV
Improve Productivity	\$579,301	\$1,956,356
Increase Revenue	3,100,176	10,469,592
Improve Billing Cycle Efficiency	619,690	2,092,753
Reduce Cost of Ownership	520,117	2,252,836
<i>TOTAL Benefit</i>	\$4,819,284	\$16,771,537

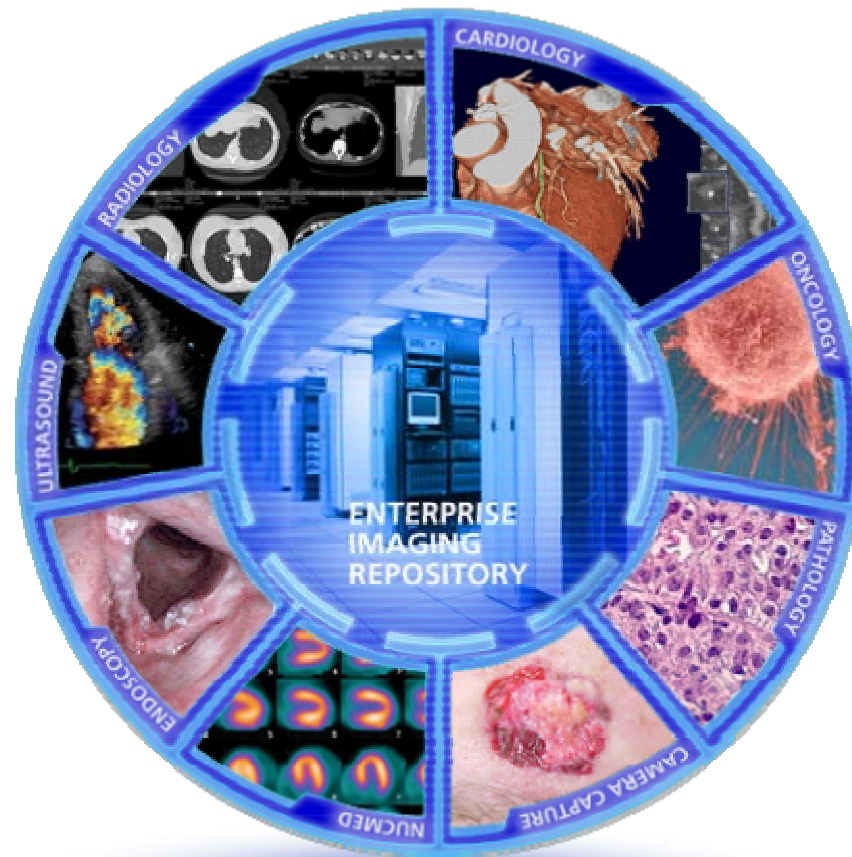
Leadership Drives Innovation

- Reinventing revenue management to improve the economics of care
 - Driving demand with enterprise imaging
 - SaaS and connecting for competitive advantage
-
-

Health System Capabilities

Medical Imaging

- **So many images,
so many studies,
from so many sources,
to so many users,
at so many locations**
- **“The ever-accelerating use
of medical imaging
procedures
in healthcare has created a
system/enterprise-wide
informatics problem...”**

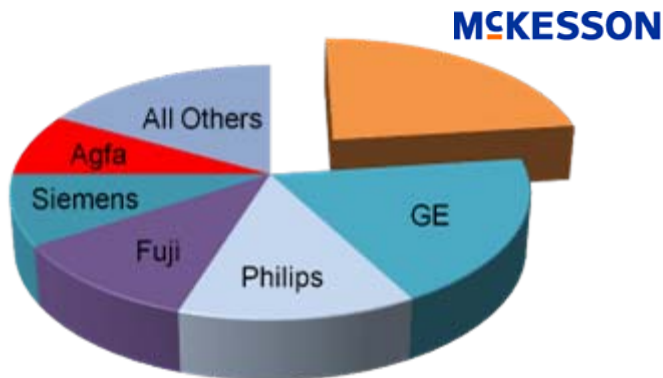


Driving Demand with Imaging

McKesson Growing Faster Than Market

- Capturing more market share from others
 - Replacement market is hot and deals are big
 - Demand is for IT-based solutions
- Successful cardiology offering

Radiology PACS Market Share



CVIS Market Share



Medical Imaging – We Think Differently

- Enterprise imaging
- Image management is information management
- Reference case management saves time and money

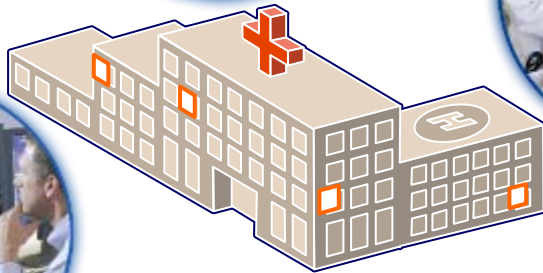


Enterprise Imaging Is a Strategic Requirement

Operating Room



Emergency Room



Radiology



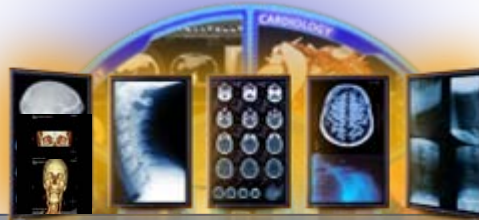
Cardiology

- Modality-centric, departmental solutions **no longer in demand**
 - These solutions are being replaced TODAY!
- Focus is on clinical workflow and **interdepartmental communications**

Enterprise Image Management = IT

Image Management Is Information Management

3D/4D Visualization tools
CAD/Other advanced algorithms
Integrated CVIS with Hemo and ECG



Diagnostic Imaging Cockpit

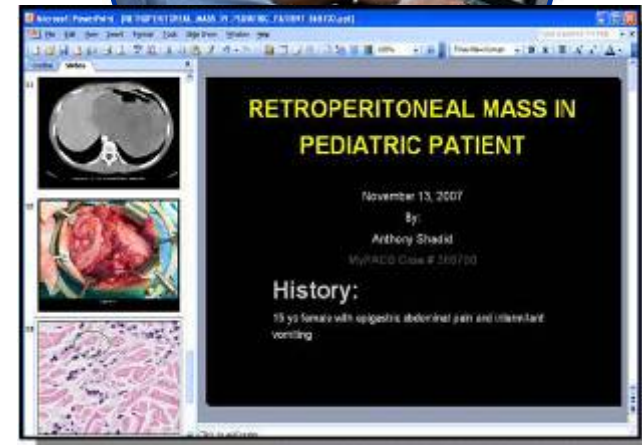
Departmental IS & management tools
“CPOE” for imaging
Collaboration tools
Analytics – Benchmarking

Voice Recognition
Structured Reporting
NLP driven diagnostic aids

**IT companies think differently than
modality companies**

Reference Case Management Saves Time and Money

- All healthcare organizations must...
 - Have ready access to reference cases when faced with difficult diagnoses
 - Present efficiently in tumor boards and other mandatory conferences
- **MyPACS Enterprise** solves these concerns & more

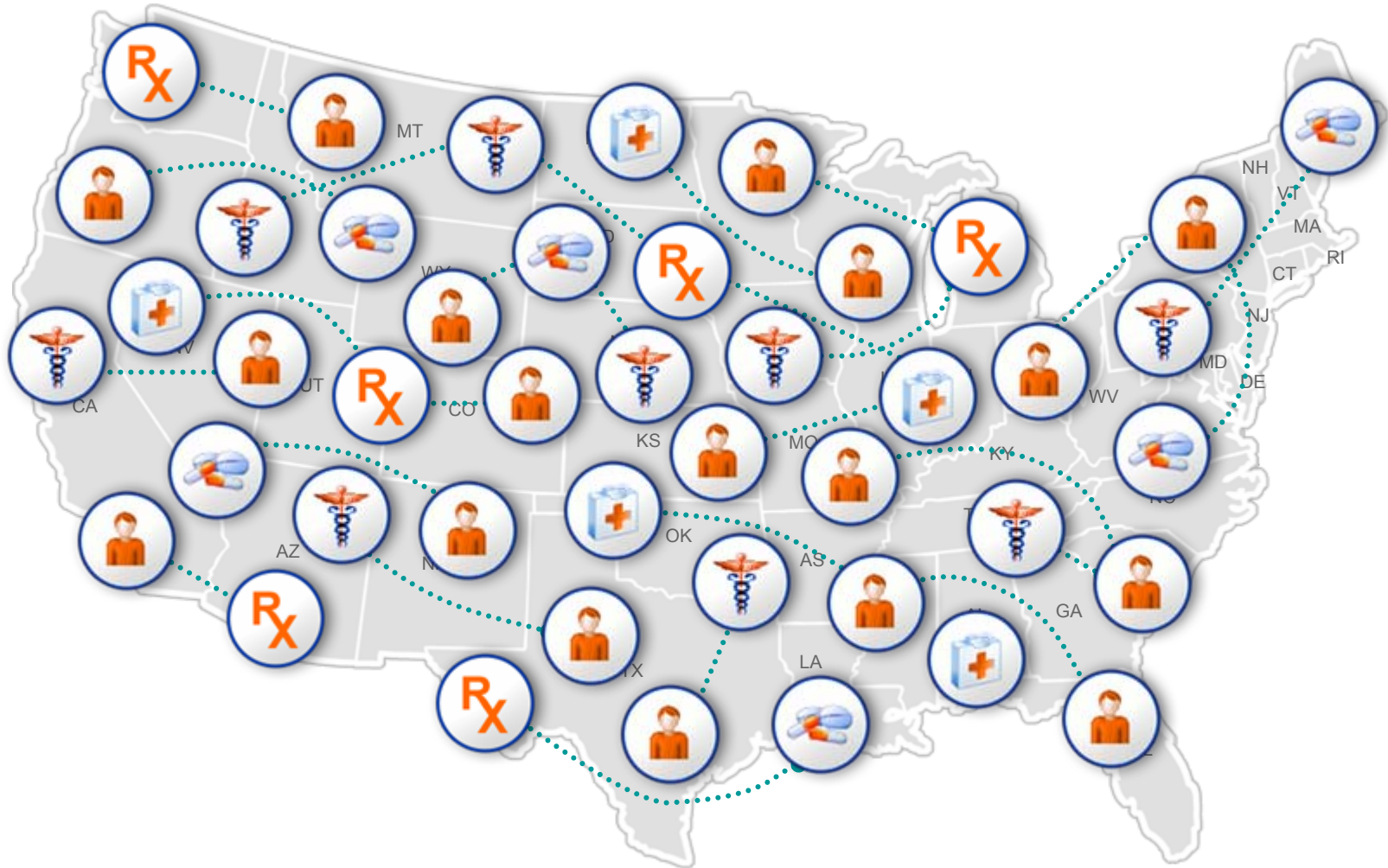


Leadership Drives Innovation

- Reinventing revenue management to improve the economics of care
- Driving demand with enterprise imaging
- SaaS and connecting for competitive advantage

RelayHealth

Leader in Connecting Healthcare



Leader in Connecting Healthcare

Financial Clearance & Settlement Services

- 1800+ hospitals
- 170,000+ physicians / groups
- 1800+ payors
- 128 distributors

Care Management Services

- 400+ hospitals
- 200+ physicians / groups
- 21 distributors

Retail Pharmacy & Manufacturer Services

- 50,000+ retail Rx
- 25 manufacturers
- 1000+ payors
- 25 hospitals
- 20,000+ physicians / groups

Provider-Consumer Connectivity

- 400+ hospitals
- 16,000 physicians / groups
- 2 million+ consumers
- 82 distributors

➤ **One of three vendors receiving top overall iPHR Rating***

- State-of-the-art platform
- Significant resources
- Largest user base



➤ **Multiple new innovative services released to market**

- Results distribution service
- Multimedia patient education programs
- Easy340B™
- NotifyRx™
- eVoucherRx™
- Prescriber File™
- IntegrateRx™ - Medication History to Hospitals
- EasyFSA™
- Medication Therapy Management

Connecting for Competitive Advantage

webVisit[®]s reported by News Outlets



E-visits

GETTING HELP | Secure Web sites allow patients to contact docs, as some insurance companies are beginning to offer solutions.

If you've ever called your doctor's office to set up an appointment or ask a question, you've probably been there: Waiting on hold for what seems like forever, just to get a rushed response from a doctor or assistant trying to squeeze you in between other patients. Or worse, playing phone tag for two or three days.

An e-mail to the doctor's office could save "news" do need to be sent by The Assistant NeedM site, real time the doctor's

House call? Yes, via the Internet

By Cheryl Powell
Akron Beacon Journal

AKRON, Ohio — Modern technology is giving a whole new twist to the concept of house calls. Thanks to the Internet, some patients now have the option of getting medical care from their doctor without leaving the comforts of home.

At least two major national health insurers — Aetna and Cigna — recently started paying participating doctors for "virtual visits" with eligible patients.

Thousands of doctors nationwide have signed up to offer online appointments through a secure Web site, www.health.com/eh/, which doesn't pay for online visits, but credit card company doesn't pay for online visits, her credit card was charged \$30 for the virtual visit.

On the other hand, Davidson said, mild upper-respiratory infections, back strains or urinary tract infections all probably could be treated online, though follow-up appointments still might be necessary.

"You have to be careful that you're not treating stuff ... that you really should be seeing," Davidson said. "There are very strong disclaimers in multiple places."

When used appropriately, supporters say, online appointments can make health care more accessible and affordable.

Los Angeles Times

MONDAY FEBRUARY 4, 2008 SECTION A
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Online house calls click with doctors

With insurers starting to cover them, virtual office visits for minor ailments, follow-ups gain popularity.

by Daniel Costello
Times Staff Writer

Considering your family physician is finally moving into the 21st century, you might be surprised to learn that the doctor's office is still a place where a camera affixed to her desktop. "It adds a more personal touch," she said.

Although actual doctor visits aren't likely to disappear, the recent moves are evidence that long-delayed efforts to bring American medicine into the digital age may be gaining momentum, experts say.

"Paying doctors to do more patient care is a more personal touch," she said.

Richard S. Frankenstein, an Orange County pulmonologist. "The co-care I have is the [online visits] are simply not a substitute for an actual doctor."

And experts caution that this may not be money saver. Healthcare costs could increase if the new technology leads more patients to

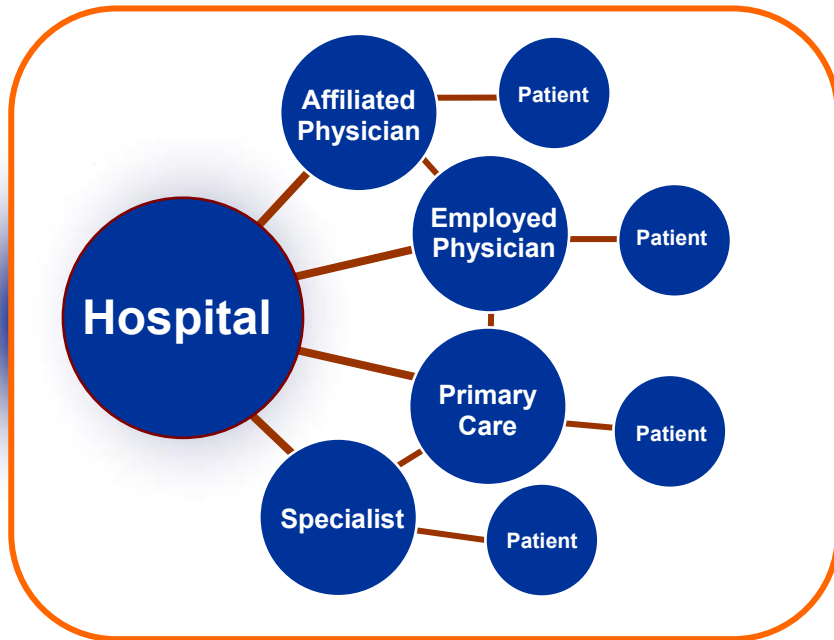


Aetna and Cigna want to pay you for online visits

Connecting for Competitive Advantage

Results Distribution Service

Results Distribution Service



- **Actionable** and **connected** results data-sharing in context for each individual user (hospital, physician, patient)
- Interoperability with electronic health records
- Rapid deployment via secure SaaS-based transaction solutions
- The means for the Personal Health Record to serve as the backbone of clinical, administrative and financial context

Connecting for Better Financial Health

Financial Clearance Dashboard

Patient: Bill Smith
Diagnosis: 234.1 Acute Appendicitis
Procedure: 44970 Laparoscopy Appendectomy
DRG:

Chief Complaint: Abdominal Pain
Facility: HTP Hospital East
Admit: 03/16/08
Discharge: 03/16/08

Case: 123456789

Workflow: Commercial Insurance **Status:** Open

Eligibility Patient ID Pre-Auth Est. Bill Pay. Contract POS Deposit

Eligibility	12/15/07	Benefits	12/15/07	Household
Payer 1: Aetna		ER Copay: \$50	Amount YTD	3rd Party: 4,000
Group Nbr: 12345		Deductible: \$1,000	\$600	Triage:
Plan Nbr: GA23000		Out-Of-Pocket: \$6,000	\$600	Interview:
Product: Aetna HMO/POS		Coinsurance: 20%		
Spouse: None Found				
Payer Group: Yes				

Financial Aid Screening: 11/20/07 **Estimated Bill:** 12/15/07 **Payments:** 12/10/07 **Patient ID:** 10/02/07

Recommended: **Actual:**

Deposit: **Monthly:**

SSN Not Verified

Advocacy - Case: 09/02/07 **Advocacy - Programs:** 12/01/07

Case Summary:
Case Status: Open
Follow-up:
Date:
FAC: Jane Doe

Program Summary:
Charity: Not Started
HCAP: Not Started

Disability Assistance

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Financial Clearance Workflow automatically assigned by system based on customer defined rules

Information Tiles display summaries in various tiles that present most recent information available for the patient

Connecting for Better Financial Health

Financial Clearance Dashboard

Patient: Bill Smith Chief Complaint: Abdominal Pain Case: 123456789



OSUHS recovered **\$3.7 million** that previously would have been written off in their first year.



Mercy Health Partners gained a **\$5.7 million increase in net revenue** for '07. . .and found **\$350,000 in charity care** that would have been written off as bad debt in August '07.

for the patient

Disability Assistance

Follow-up:

Date:

FAC:

Jane Doe

HCAP:

Not Started

Connecting for Better Patient Health

Safe Medication Delivery



eVoucherRx™



IntegrateRx™
Medication History



RxSafety
Advisor™



NotifyRx™

**We will continue to
drive strong growth**



- 1. Health systems and payor** → **Extend leadership** with differentiated products and services
- 2. Physician office** → **Become a leader** with a complete set of offerings
- 3. Community care** → **Lead the transformation** with disease management
- 4. International** → **Grow our presence** with hot products
- 5. Emerging consumer market** → **Drive** thought leadership

Setting the Bar as the Industry Leader

- Differentiated portfolio
 - We think differently
 - We build differently
- Large and **INNOVATIVE**
- Ability to serve our “core” customers and work with all customers



Strong Innovation to Reinvent Healthcare Delivery



MCKESSON

Empowering Healthcare



Jeff Campbell

Executive Vice President
Chief Financial Officer

Driving Sustained Value Creation at McKesson

- Attractive markets
- Well-positioned businesses:
 - Solid operating profit and cash flow strength from distribution segment
 - Upside opportunities from higher growth, higher margin technology segment
- Strong track record and balance sheet
- Experienced management team

Using our 360° view of healthcare to continually redefine what it means to be the industry leader

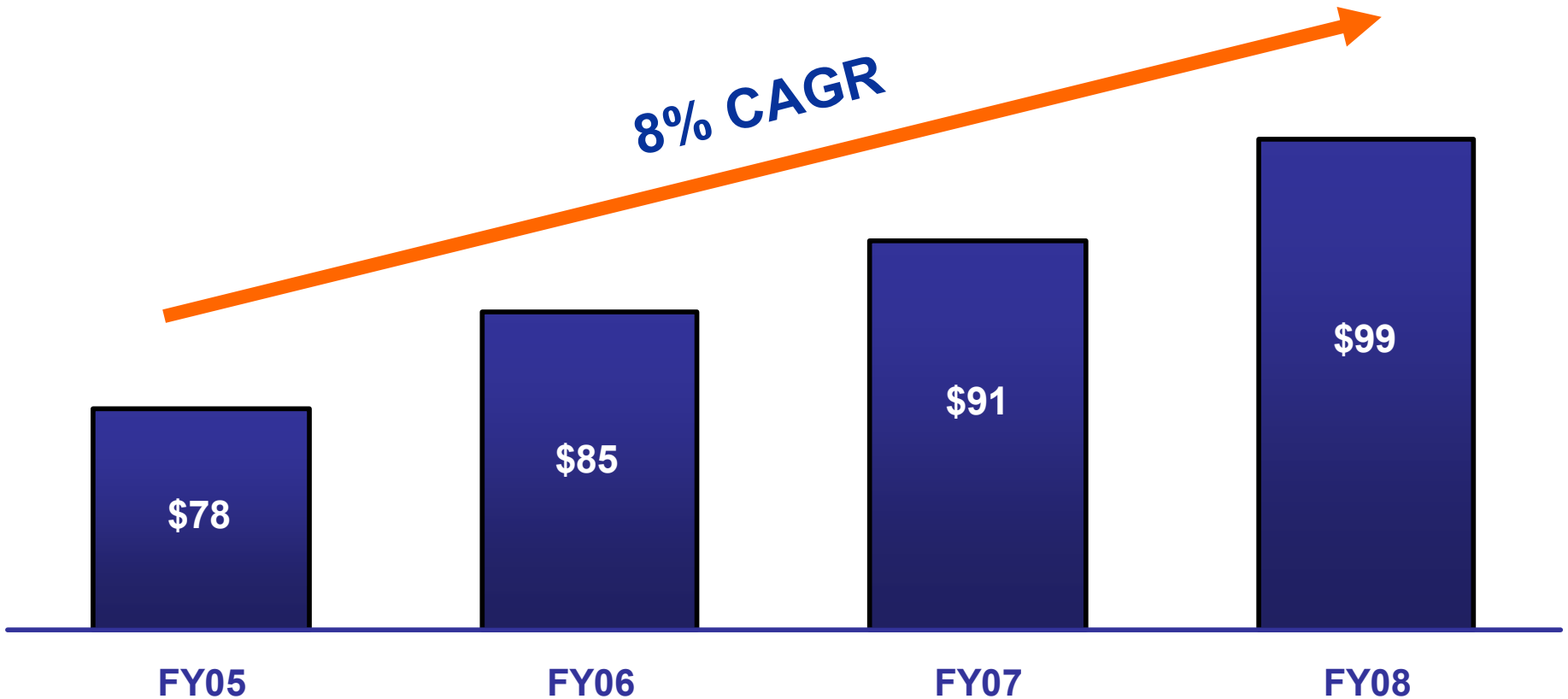
Distribution Solutions



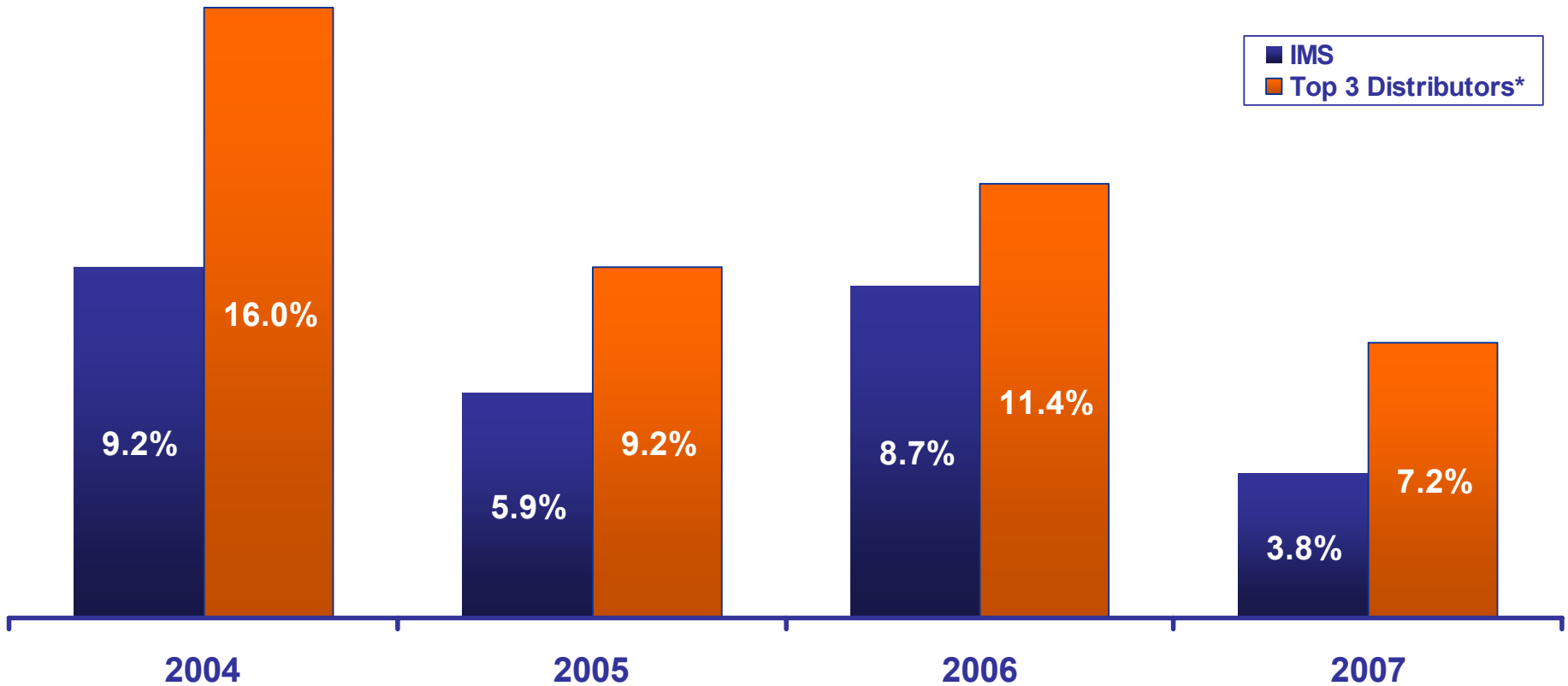
Solid Growth and Cash Flow
Strength from a Scaled
Distribution Model

Distribution Solutions: Revenue Growth Has Been Consistent...

\$ Billions



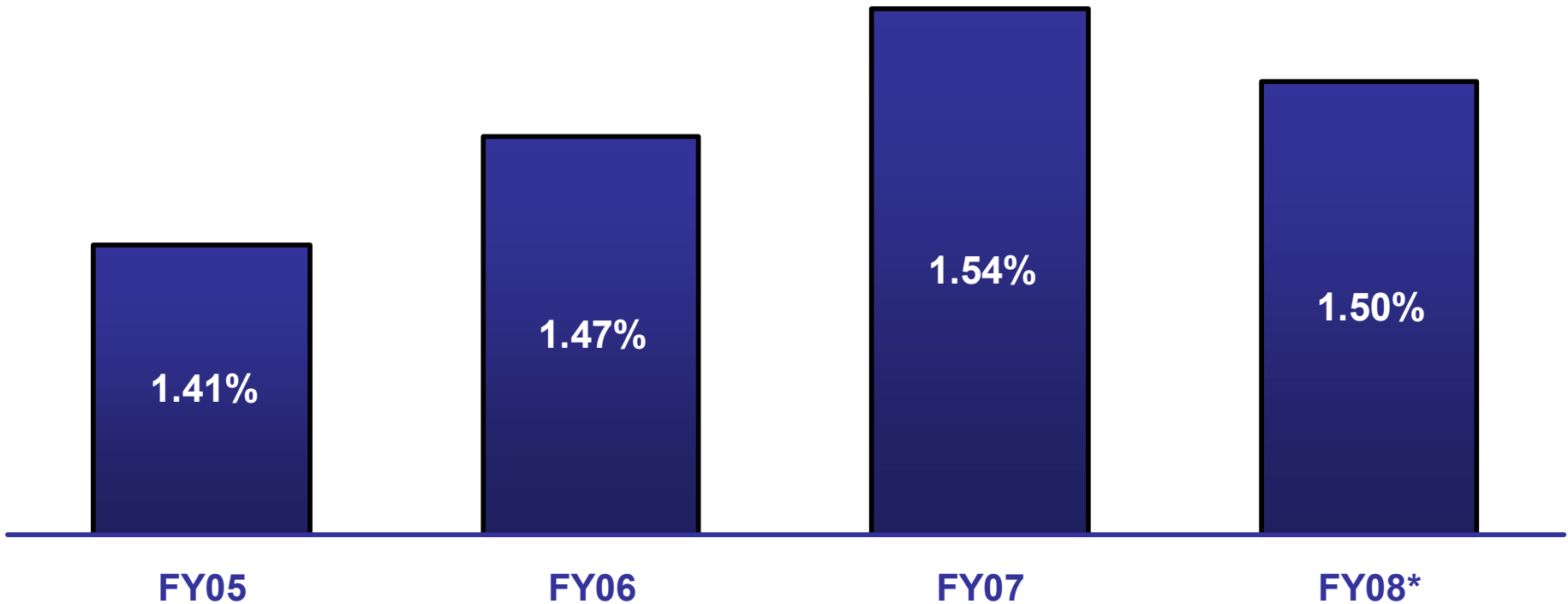
...And Above IMS Reported Growth Rates...



* Top 3 Distributors: McKesson, Cardinal Health and AmerisourceBergen

...With Margin Expansion...

**Long-Term Operating Margin Goal:
150 – 200 basis points**

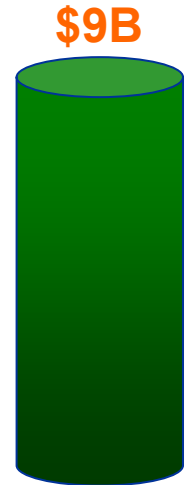


* Year over year decline driven by initial impact of OTN acquisition and decrease in LIFO credits

...And Cash Flow Strength

Growth With Modest Capital Spending

FY07 – FY08 Revenue Growth in Dollars



\$9B

FY07 – FY08 Change in “Core”^{*} Working Capital



\$0.3B

FY08 PP&E and Capitalized Software



\$0.4B

^{}“Core” working Capital defined as Accounts Receivable + Inventory - Accounts Payable*

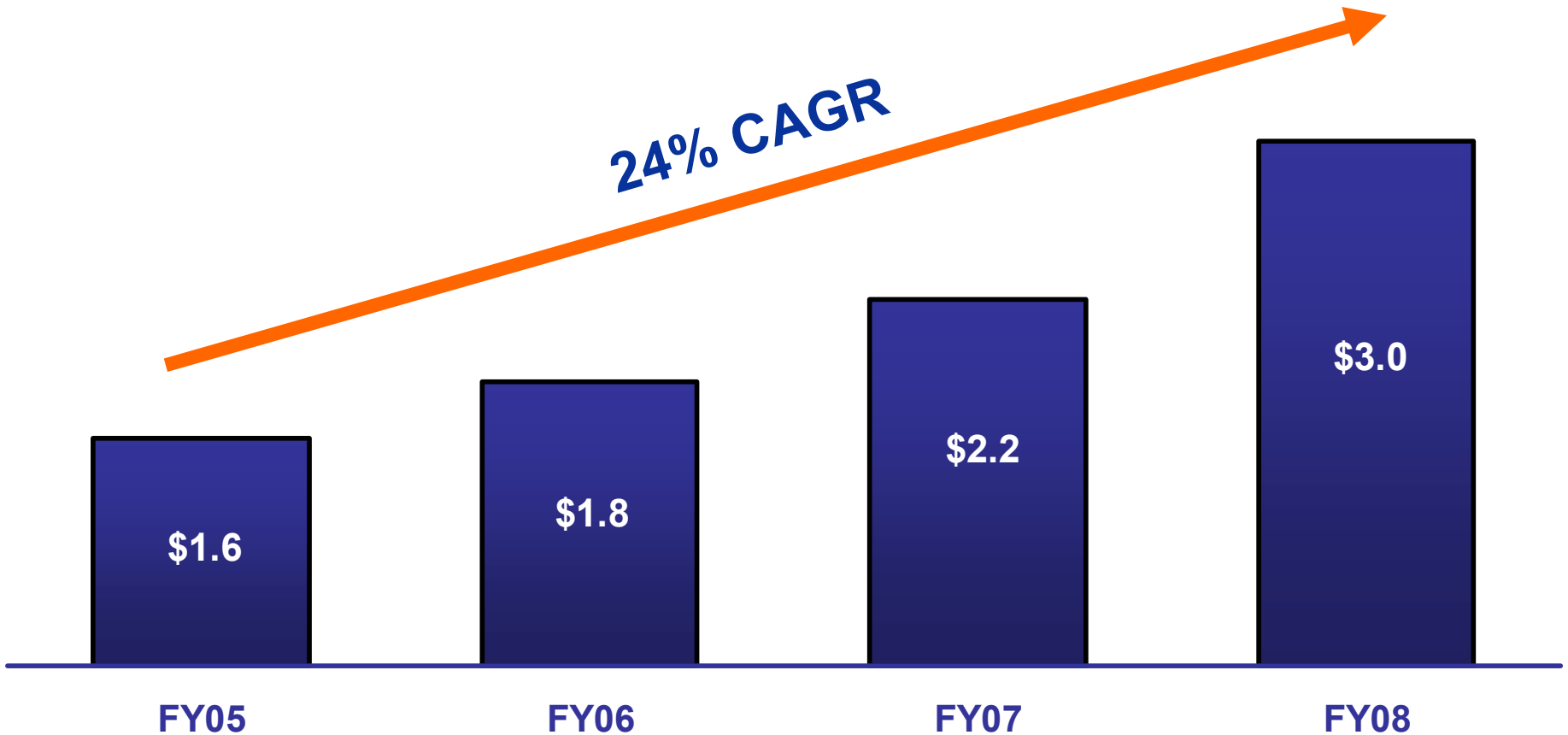
Technology Solutions



Higher Growth and Higher
Margin from Broadest
Portfolio in Industry

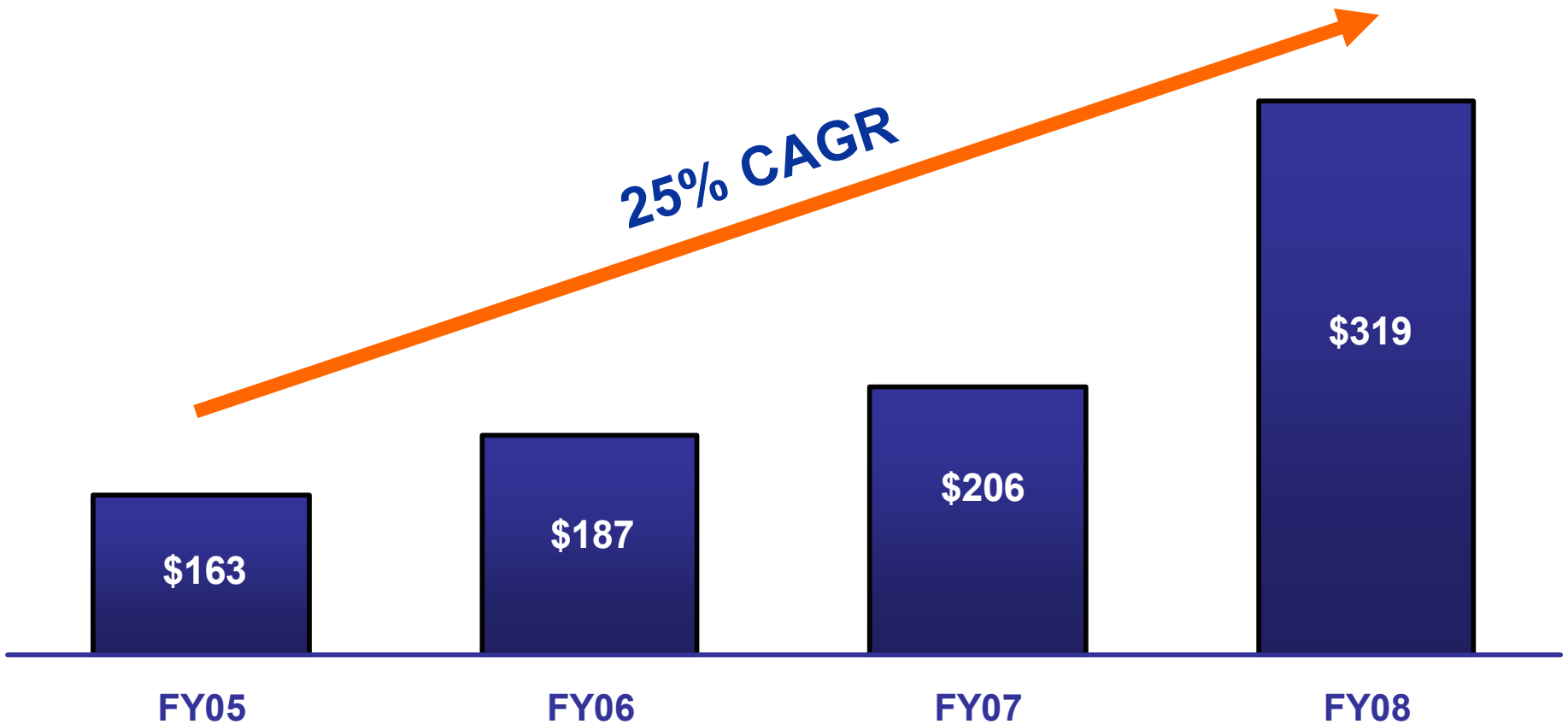
Technology Solutions: Strong Organic Revenue Growth, Spurred by Acquisitions...

\$ Billions



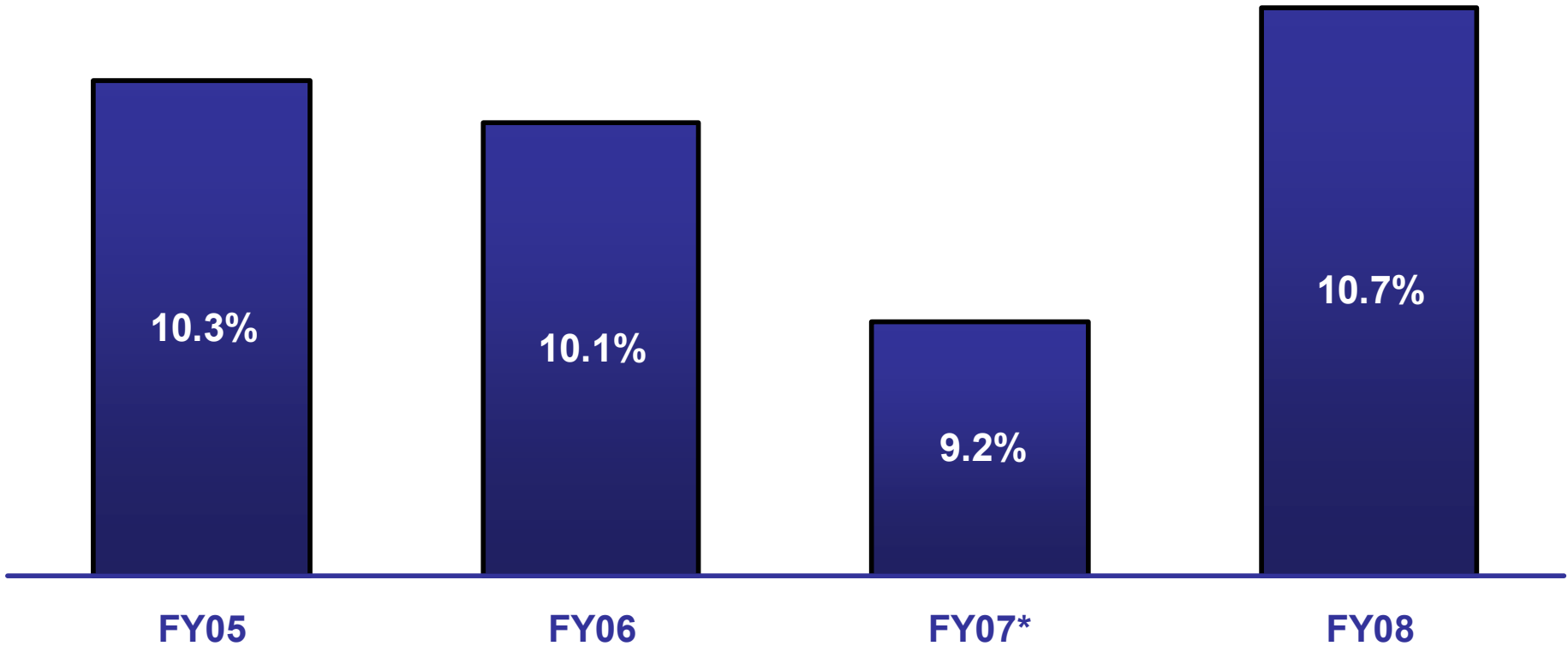
...Has Driven Strong Operating Profit Growth...

\$ Millions



...With Steady Margin Progress Now in Place

**Long-Term Operating Margin Goal:
Low to mid-teens**



* FAS 123R and R&D step up

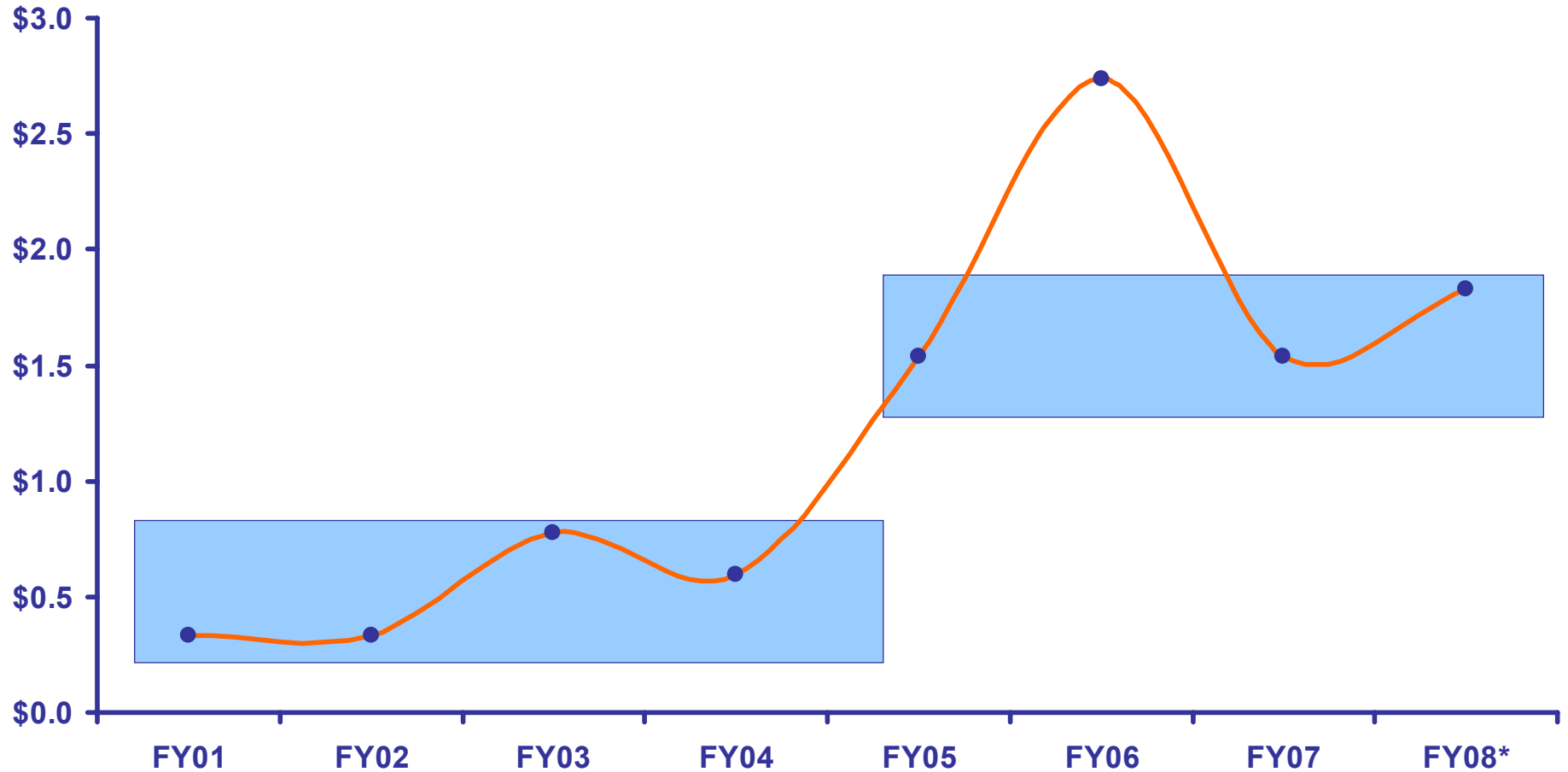
Financial Flexibility



Strong Track Record and
Healthy Balance Sheet
Lead to Value Creation

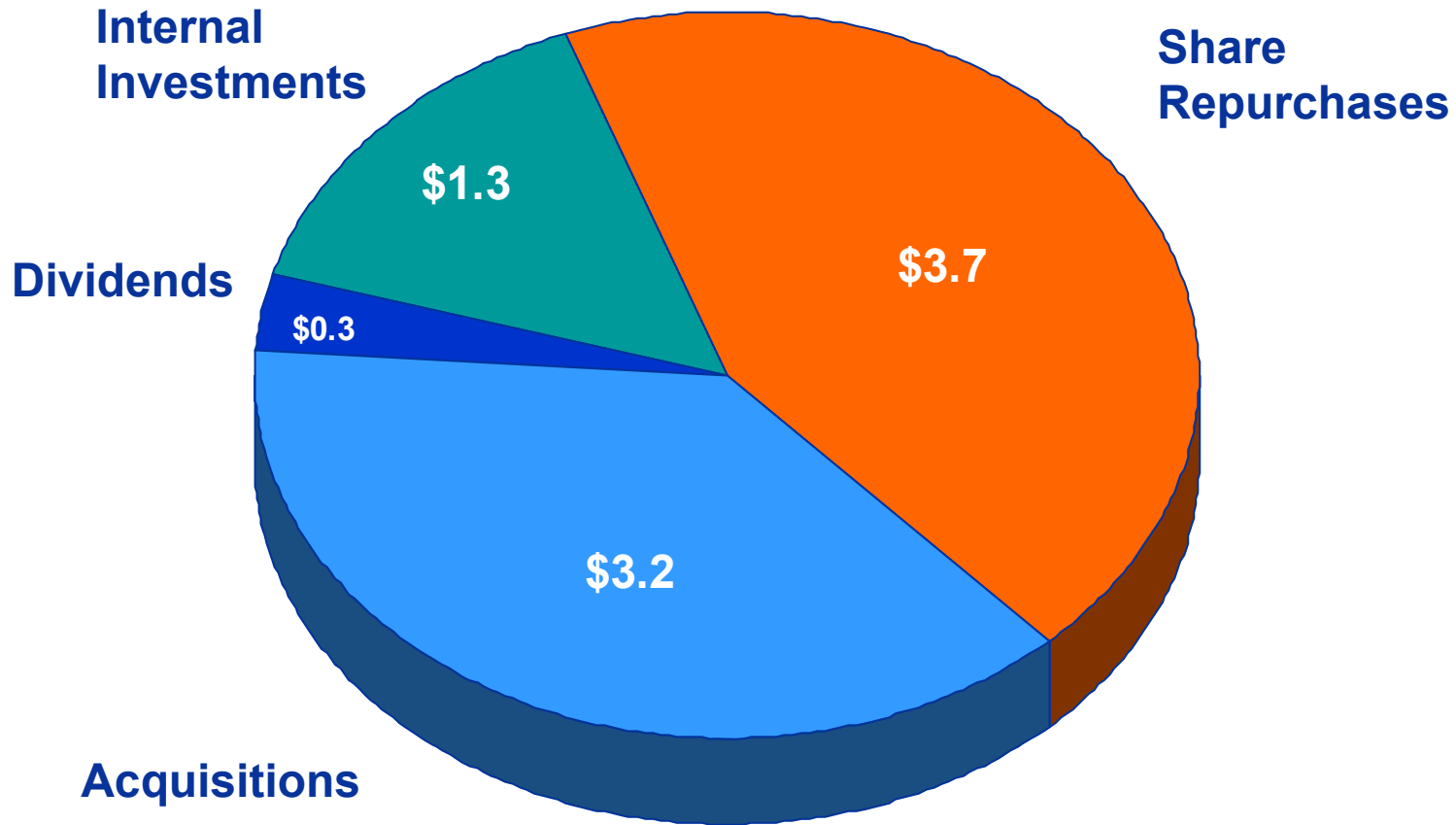
Our Operating Cash Flows Have Stabilized at a High Level...

\$ Billions



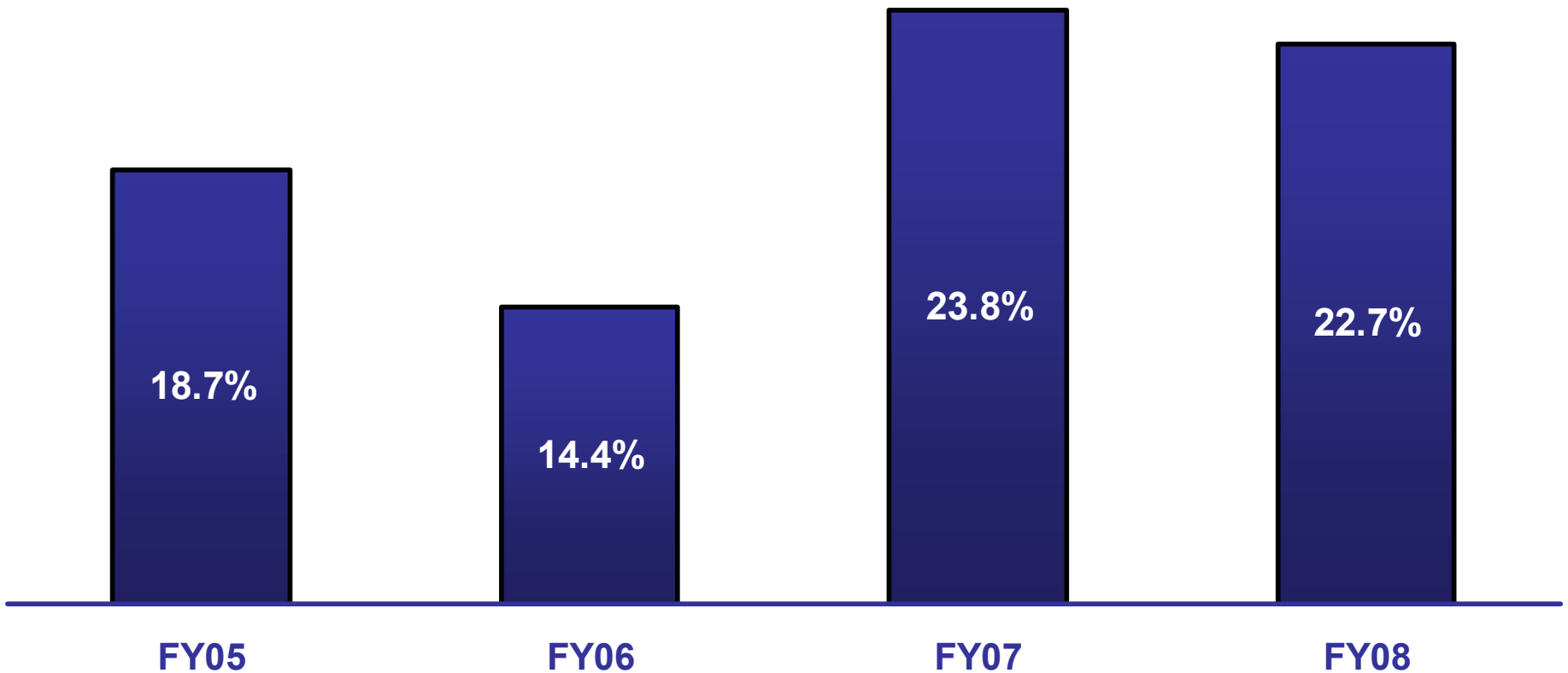
* FY08 excludes \$962 million Securities Litigation payment

...Which Has Allowed Us to Deploy \$8.5 Billion in Capital from FY05 – FY08...

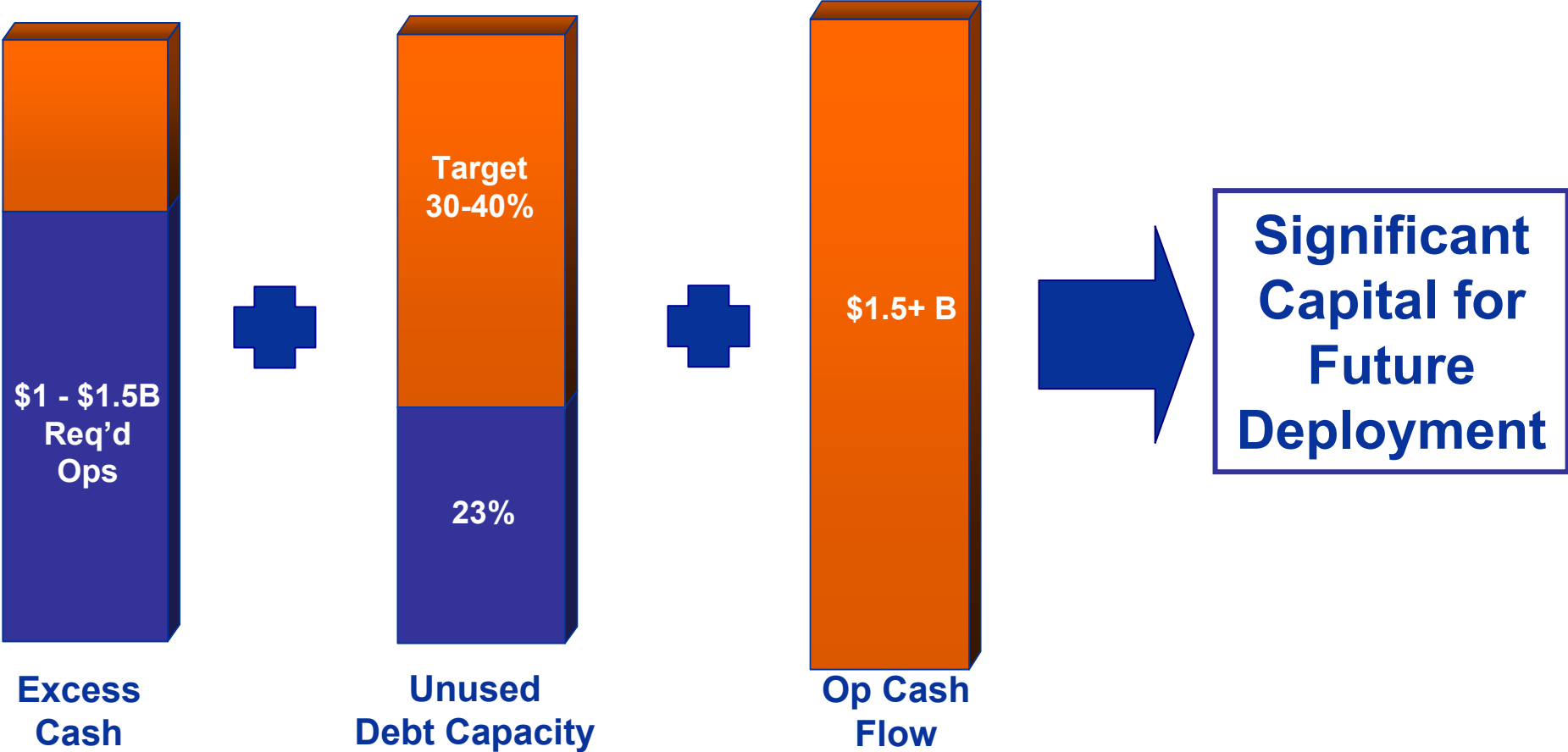


...While Maintaining a Strong Balance Sheet...

Gross Debt-to-Capital Ratio



...With Significant Financial Flexibility to Create Further Value



We Use a Portfolio Approach to Capital Deployment

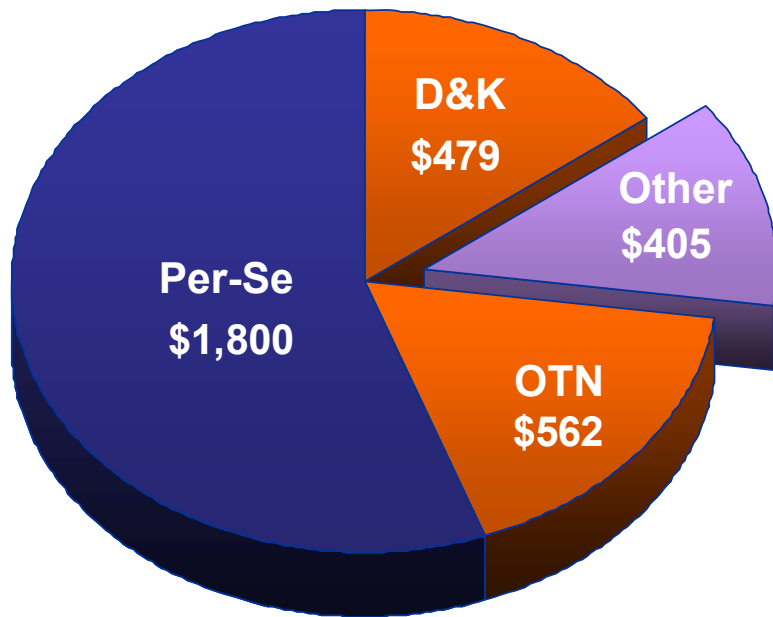
- Acquisitions
 - Synergistic opportunities
 - Accretive and value creating
- Measured share repurchase over time
- Internal investment
- Dividend policy periodically reviewed

Increased financial flexibility to continue to execute our strategy

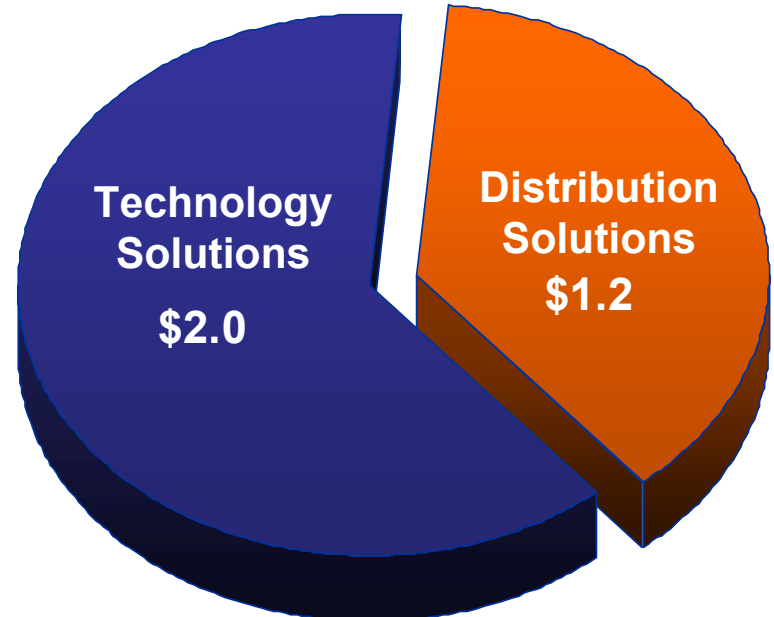
Disciplined Acquisitions Enhance Financial Performance and Strategy

FY05 – FY08
22 Acquisitions

11 Acquisitions in
Each Segment



\$ Millions



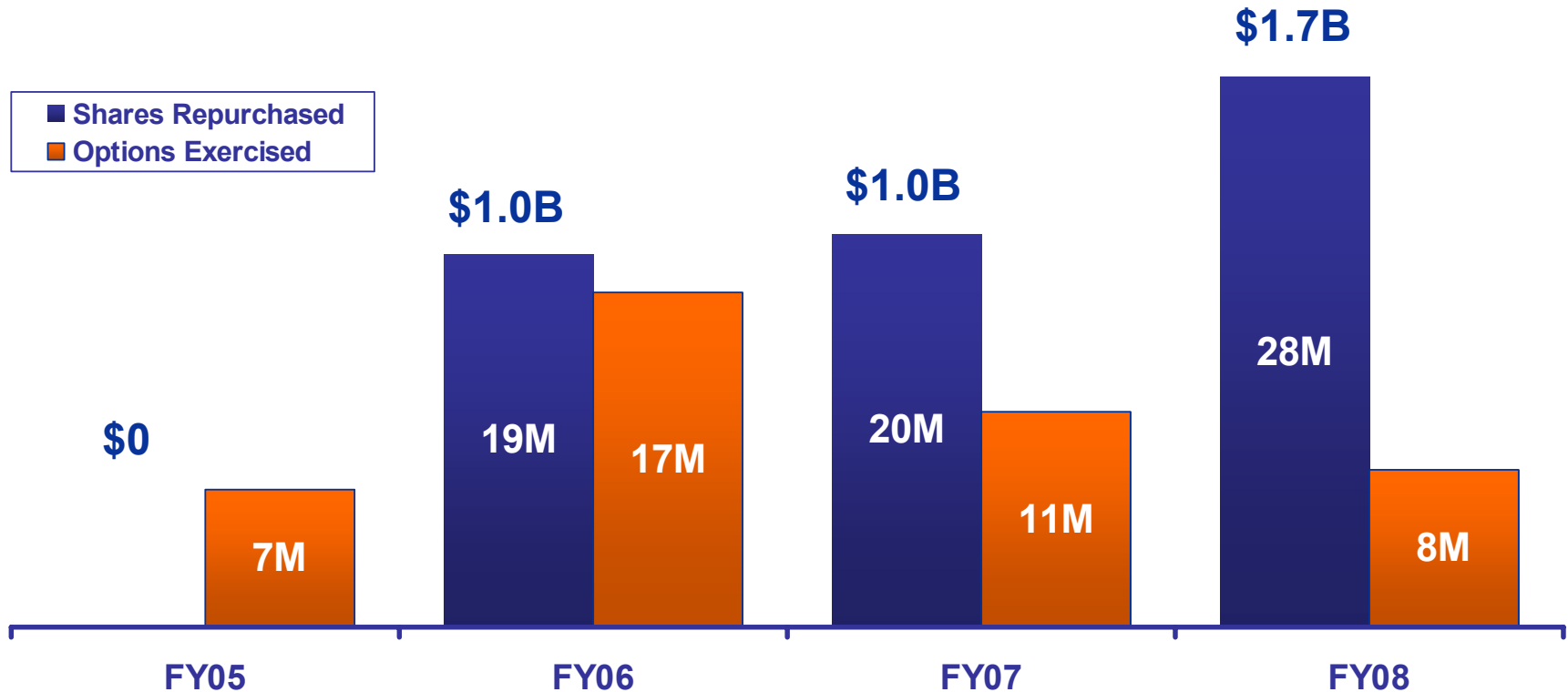
\$ Billions

Our Share Repurchases are Gaining Traction...

Diluted
Shares
Outstanding



■ Shares Repurchased
■ Options Exercised

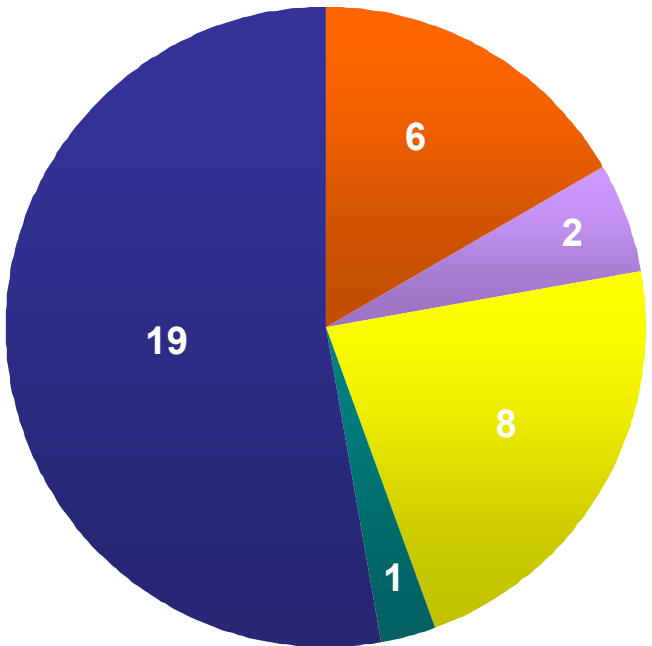


...And will Accelerate as Stock Option Overhang Declines

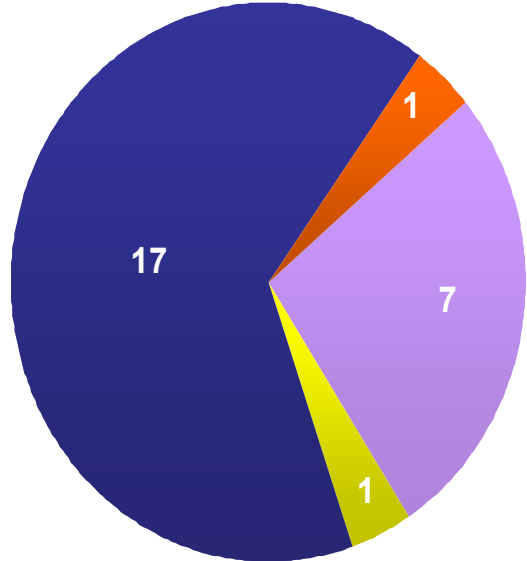
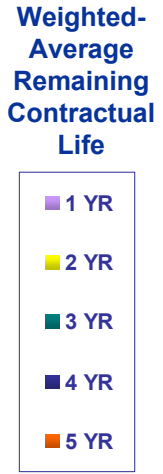
36 Million Outstanding



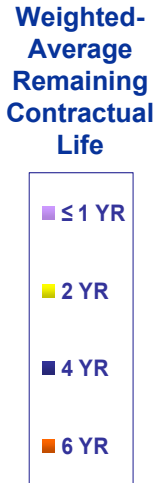
26 Million Outstanding



Fiscal Year 2007

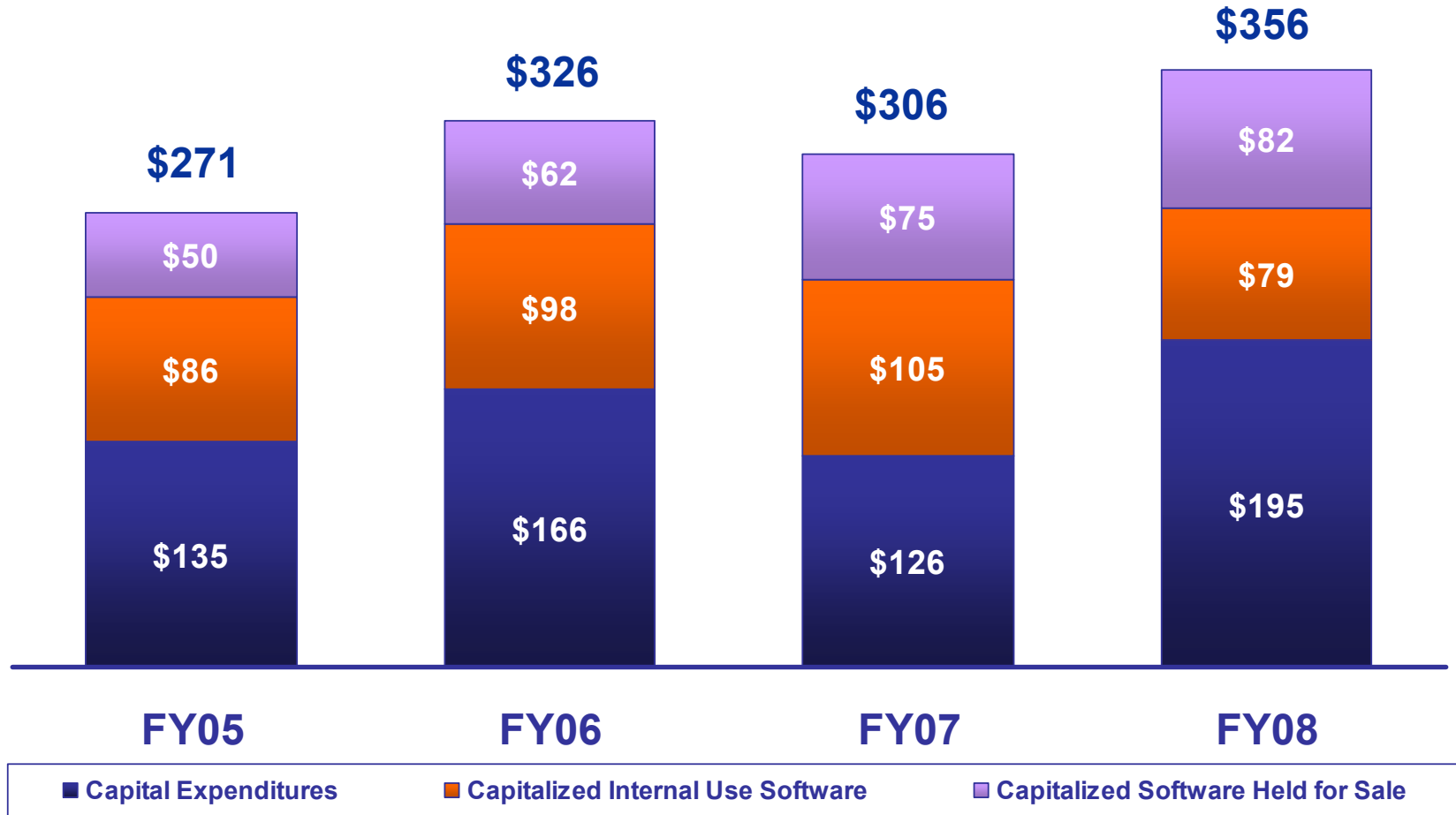


Fiscal Year 2008



Internal Investment Needs Are Modest and Consistent...

\$ Millions



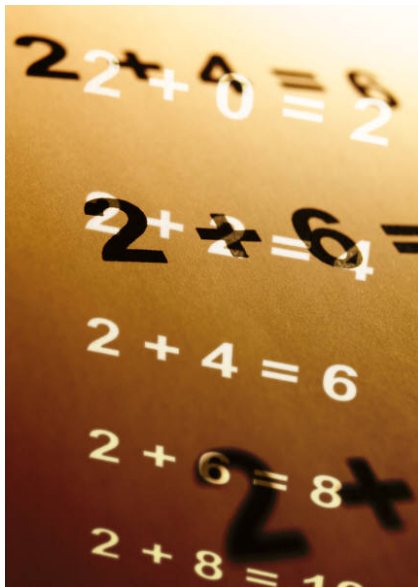
...And we Recently Doubled our Annual Dividend

\$0.24

\$0.48



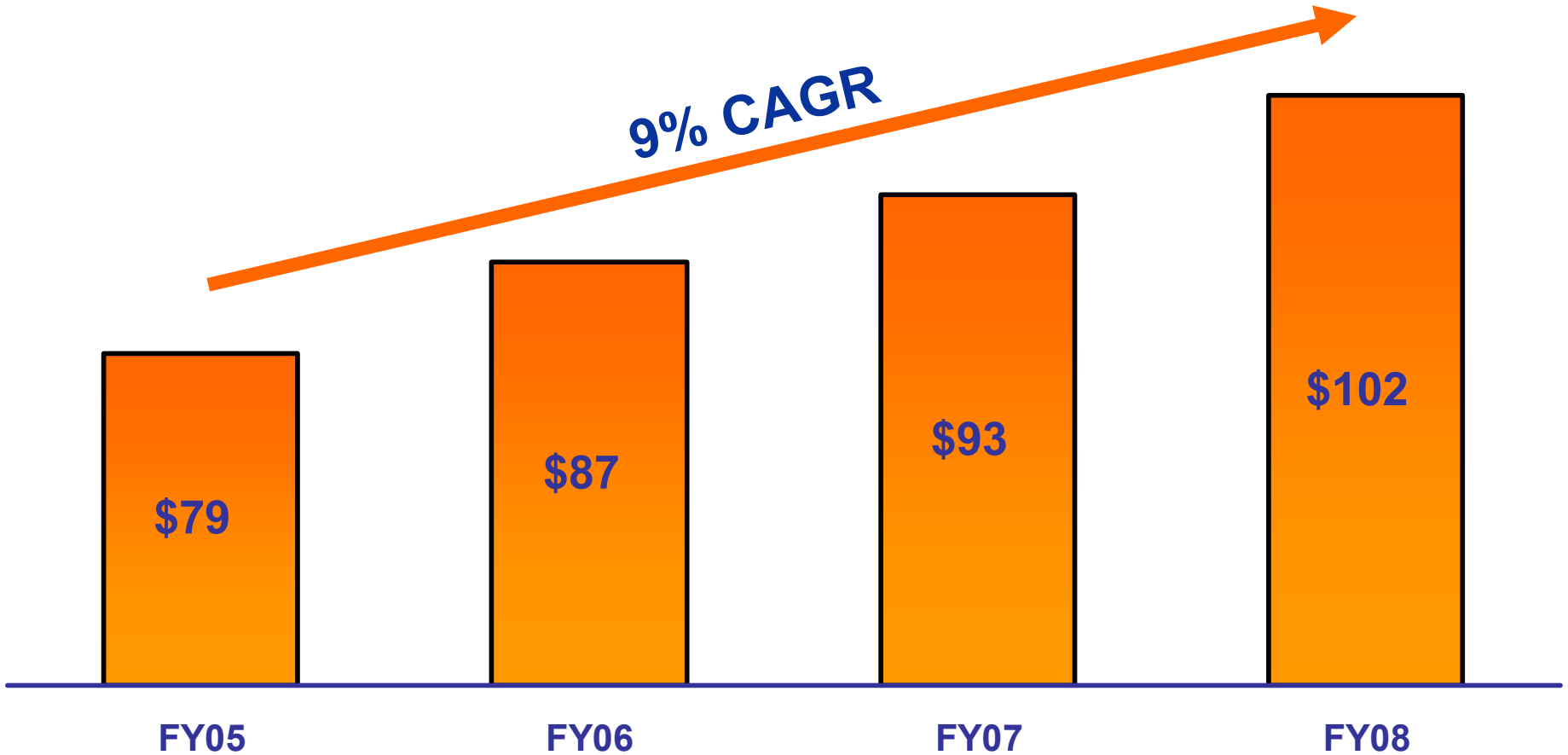
So How Does It All Add Up?



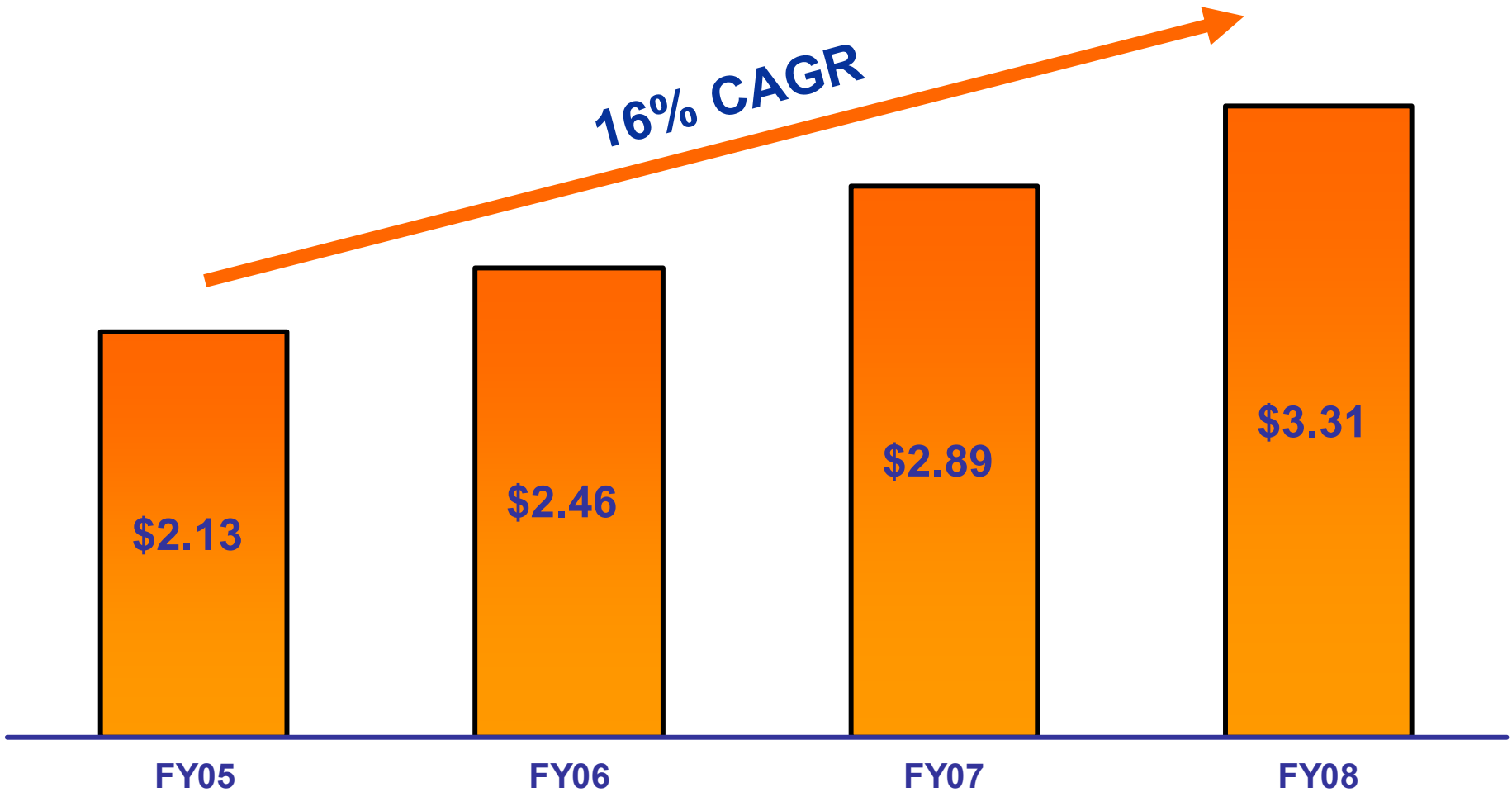
Great Results
over Time

A Track Record of Strong Revenue Growth...

\$ Billions



...Which we Have Leveraged into Higher EPS Growth (from continuing operations)* ...



* EPS from continuing operations, excluding Securities Litigation charges/(credits).

...And Expect to Continue with our FY2009 Earnings Guidance

**Fiscal 2009 earnings per diluted
share of \$3.75 to \$3.90
excluding Securities Litigation
charges or credits**

What's Included in Fiscal 2009 Outlook?

- We provide our EPS guidance on an annual basis due to both seasonality and the quarter to quarter fluctuations that are inherent in our business
- Revenue growth
 - Distribution Solutions at market adjusted for mix of business and the acquisition of OTN
 - Technology Solutions at the high end of market
- Moderating branded price inflation similar to those observed in our FY06 and FY07
- Generic launch schedule similar to FY08 that will occur mostly in the latter half of fiscal year 2009
- No LIFO credit vs. \$14 million in Fiscal 2008
- Incremental equity-based compensation expense of 5 to 7 cents per diluted share
- Incremental ESOP charges of 4-5 cents
- Tax rate of 33%
- Operating cash flow in excess of \$1.5 billion
- Average shares of 281 million for diluted EPS calculation
- Guidance range does not include any potential Securities Litigation reserve adjustments, acquisitions, divestitures, material restructurings or integration-related actions

Driving Sustained Value Creation at McKesson

- Attractive markets
- Well-positioned businesses:
 - Solid operating profit and cash flow strength from distribution segment
 - Upside opportunities from higher growth, higher margin technology segment
- Strong track record and balance sheet
- Experienced management team

Using our 360° view of healthcare to continually redefine what it means to be the industry leader

Questions & Answers

Investor Day 2008



Frederick P. Rose Hall, New York City
June 19, 2008

Diluted EPS Reconciliation

(\$ and shares in millions, except EPS)

	<u>FY08</u>	<u>FY07</u>
Income from continuing operations - as reported	<u>\$ 989</u>	<u>\$ 968</u>
Exclude:		
Securities Litigation credit, net	(5)	(6)
Income taxes on credit, net	2	2
Income tax reserve reversal		(83)
	<u>(3)</u>	<u>(87)</u>
Income from continuing operations excluding Securities Litigation credit, net	<u>\$ 986</u>	<u>\$ 881</u>
Diluted earnings per common share from continuing operations, excluding Securities Litigation credit, net	\$ 3.31	\$ 2.89
Shares on which diluted earnings per common share were based	298	305

Investor Day 2008



Frederick P. Rose Hall, New York City
June 19, 2008