

Investor Day 2007



Equitable Auditorium, New York City
June 21, 2007

Larry Kurtz

Vice President
Investor Relations



2007 Investor Day Agenda

Larry Kurtz – Welcome, Agenda and Safe Harbor

John Hammergren – Corporate Overview

Jeff Campbell – Financial Review

Paul Julian – McKesson Distribution Solutions

Break

Pam Pure – McKesson Technology Solutions

John Hammergren – Q&A and Wrap-up

Meeting Adjourns

Safe Harbor Clause

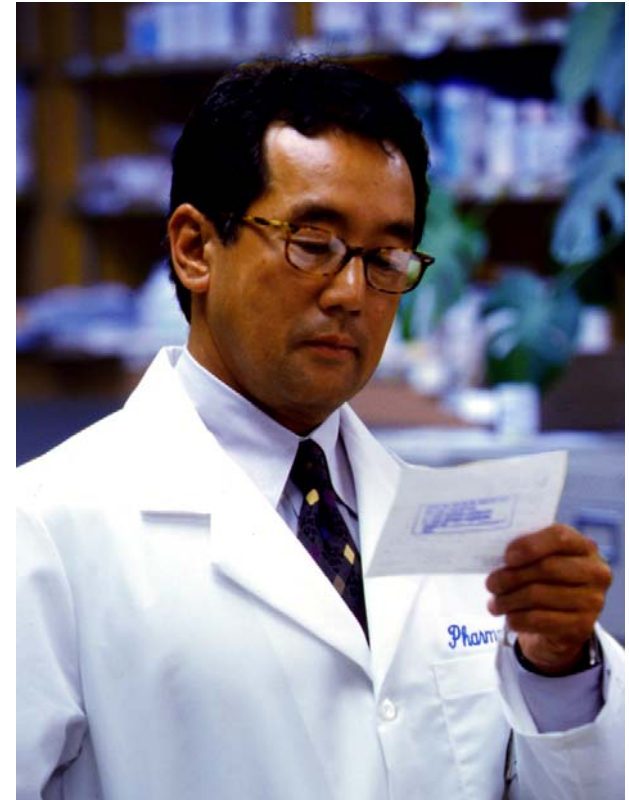
Some of the information in this presentation may constitute forward-looking statements that are subject to various uncertainties. These uncertainties could cause actual results to differ materially from those projected or implied. The risk factors associated with those uncertainties are described in 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.

1

Each week, how many medication errors does McKesson prevent from harming patients?

Answer:

Approximately 332,000



2

How many of the top five chain pharmacies use at least one of McKesson's distribution services?

Answer:

5 of 5



3

How many financial transactions does McKesson process electronically each year?

Answer:

More than 1 billion



4

One year ago there were 250 Health Mart pharmacies. What is that number today?



Answer:

More than 1,500

5

In 2002, 18% of U.S. hospitals used McKesson Pharmaceutical services? What is the % today?

Answer:

Approximately 40%



John Hammergren

Chairman and
Chief Executive Officer



How McKesson Helps Transform Healthcare

- Ensuring the safe and timely delivery of vital medications and supplies using our distribution system, scale and supply chain excellence
- Improving health outcomes and patient safety by developing processes and technologies to optimize care and reduce errors
- Making healthcare more convenient, personal and effective for patients
- Smoothing information and revenue flows by streamlining interactions between clinicians, payors and patients
- Ensuring that healthcare dollars are well spent

McKesson Distribution Solutions

#1 in pharmaceutical distribution in U.S., Canada, and Mexico

#1 generics distributor

Large Rx repackaging

Specialty distribution & patient services for manufacturers

Comprehensive retail information systems and automation offerings

#1 in medical-surgical distribution to primary and extended care

McKesson Technology Solutions

50% of all U.S. Hospitals, 77% of those >200 beds

Leader in clinical, revenue cycle, and resource management solutions

#1 hospital automation

19 Products in KLAS Top 3 for their categories*

Leading businesses in U.K. and France

#1 in medical management software and services for Payors

#1 in disease management for Medicaid agencies

Growing Contributions from International Operations

- McKesson Canada – pharmaceutical distribution, specialty distribution, automation, healthcare information technology
- U.S., Canada and Mexico – global agreements with pharmaceutical manufacturers and customers
- U.K., France and the Netherlands – building upon NHS success and strong clinical solutions to drive growth
- Australia and New Zealand – emerging disease management business based on success of U.S. model
- Global sourcing of medical-surgical products and generics

Product/Logistics Flow



Information Flow



Financial/Transaction Flow

**Unique capabilities to fill in the “White Spaces” of
Healthcare**

Creating Customers for Life – One McKesson

Working together with our customers to use the clinical knowledge, process expertise, technology and the resources of a *Fortune 18* company to change the future of healthcare for the better.



Meeting Our Customers' Needs By Making the Linkages Across McKesson



Long-term Relationships with Global Healthcare Leaders



Vanderbilt University Medical Center



DUKE UNIVERSITY
MEDICAL CENTER



Omnicare



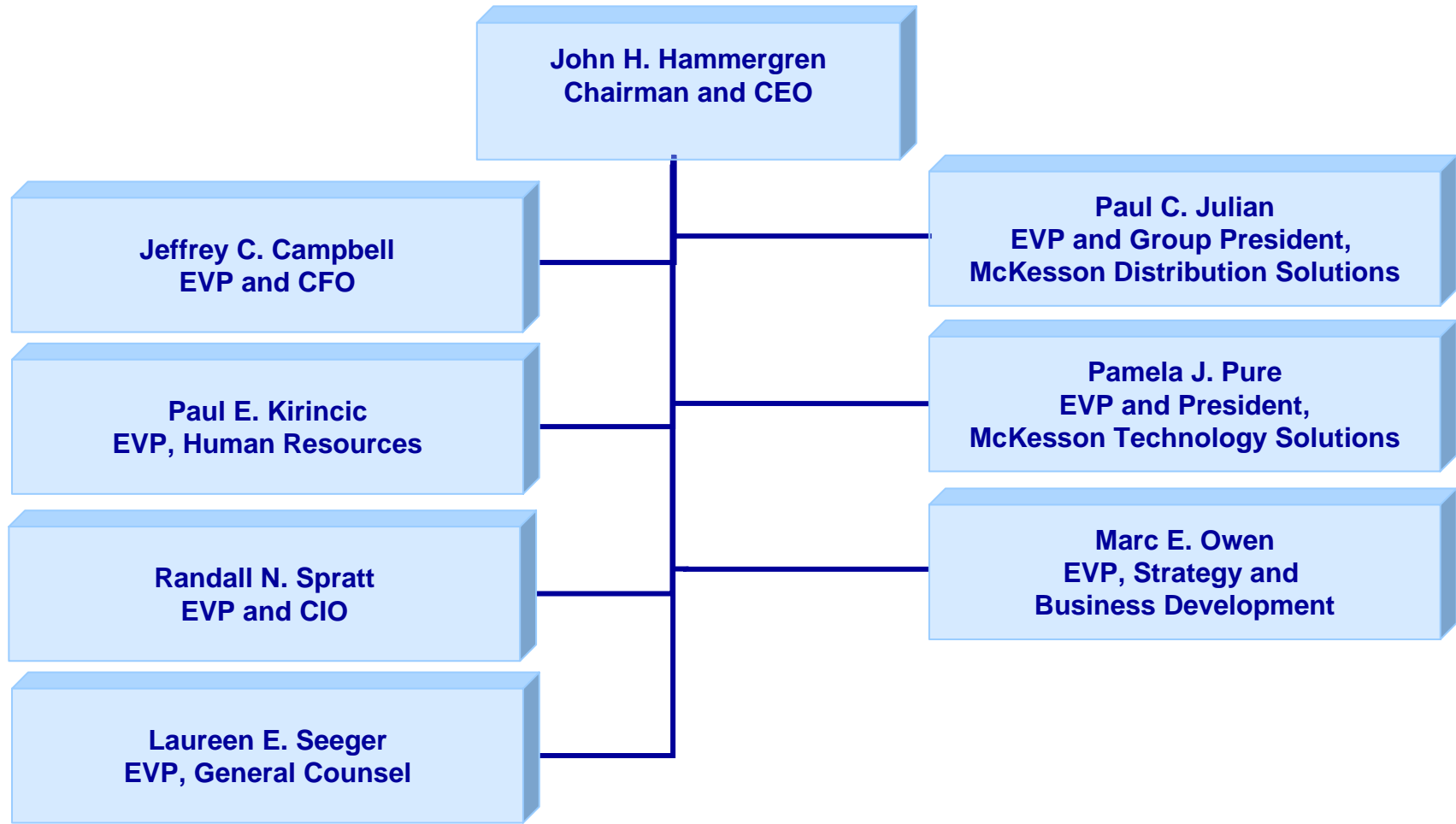
One McKesson – Covenant Health

- Covenant is a Knoxville 5-hospital system with 38% share of the market, 1,312 licensed beds and 150,000 health plan members
- New 5-Year, \$50 million pharmaceutical distribution contract and purchase of POS pharmacy system and Parata robots
- Complements longstanding relationship that includes medication safety solution, financial/admin core HIT system, medical imaging, physician portal and InterQual
- OneMcKesson solution reduces risk, increases operational efficiency and increases customer return on investment

Strategy and Execution Fiscal 2001 to Fiscal 2007

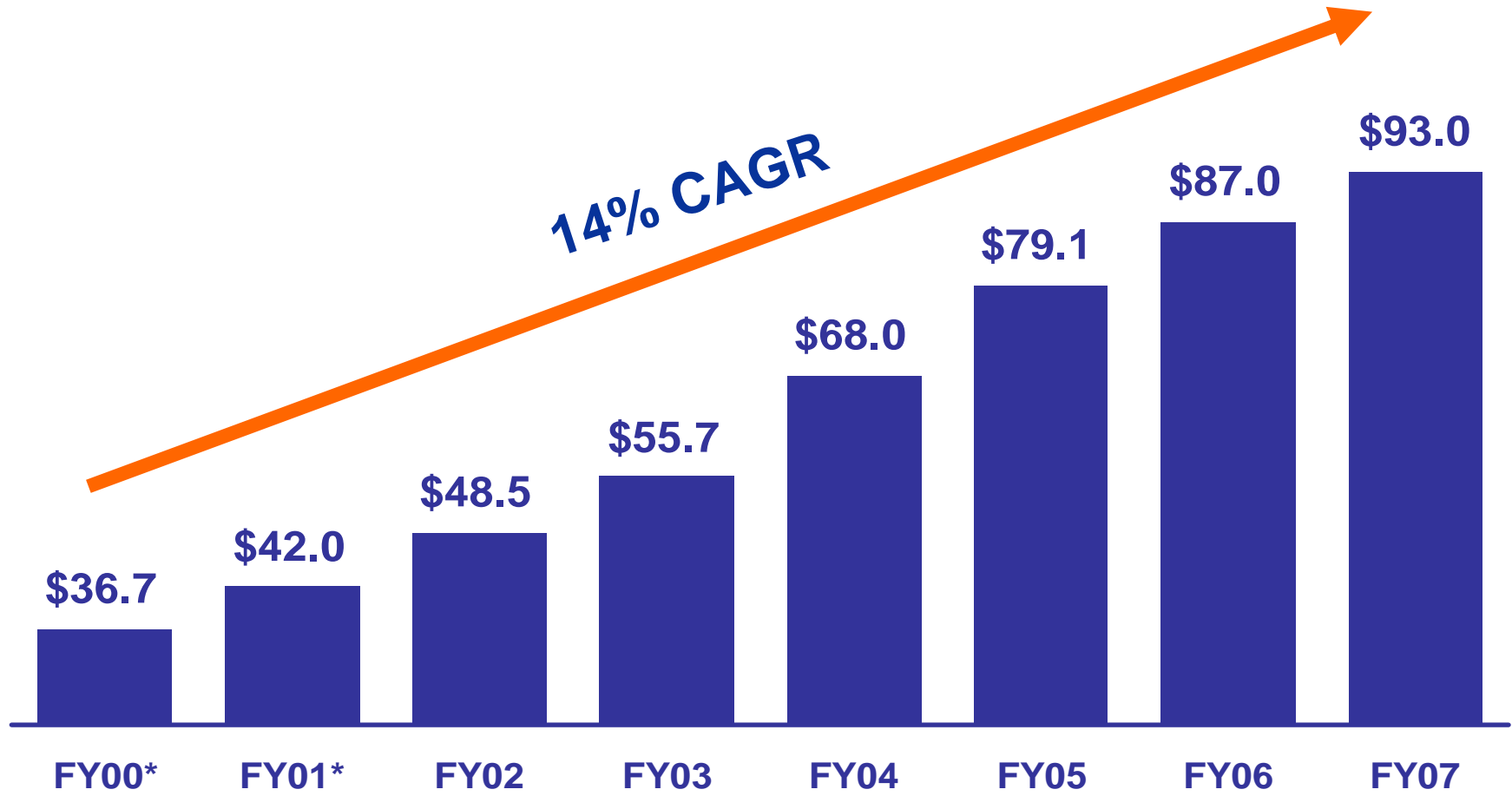
- Built pharmaceutical distribution to drive economies of scale
- Managed rapid evolution of pharma distribution business model
- Restored HIT customer relationships through improved service, better and faster implementations and product innovation
- Delivered financial performance to create shareholder value and build credibility
- Completed acquisitions to supplement organic growth and internal product development
- Conserved cash to resolve securities litigation and preserve strong balance sheet

Experienced Management Team Leads Strategy and Execution



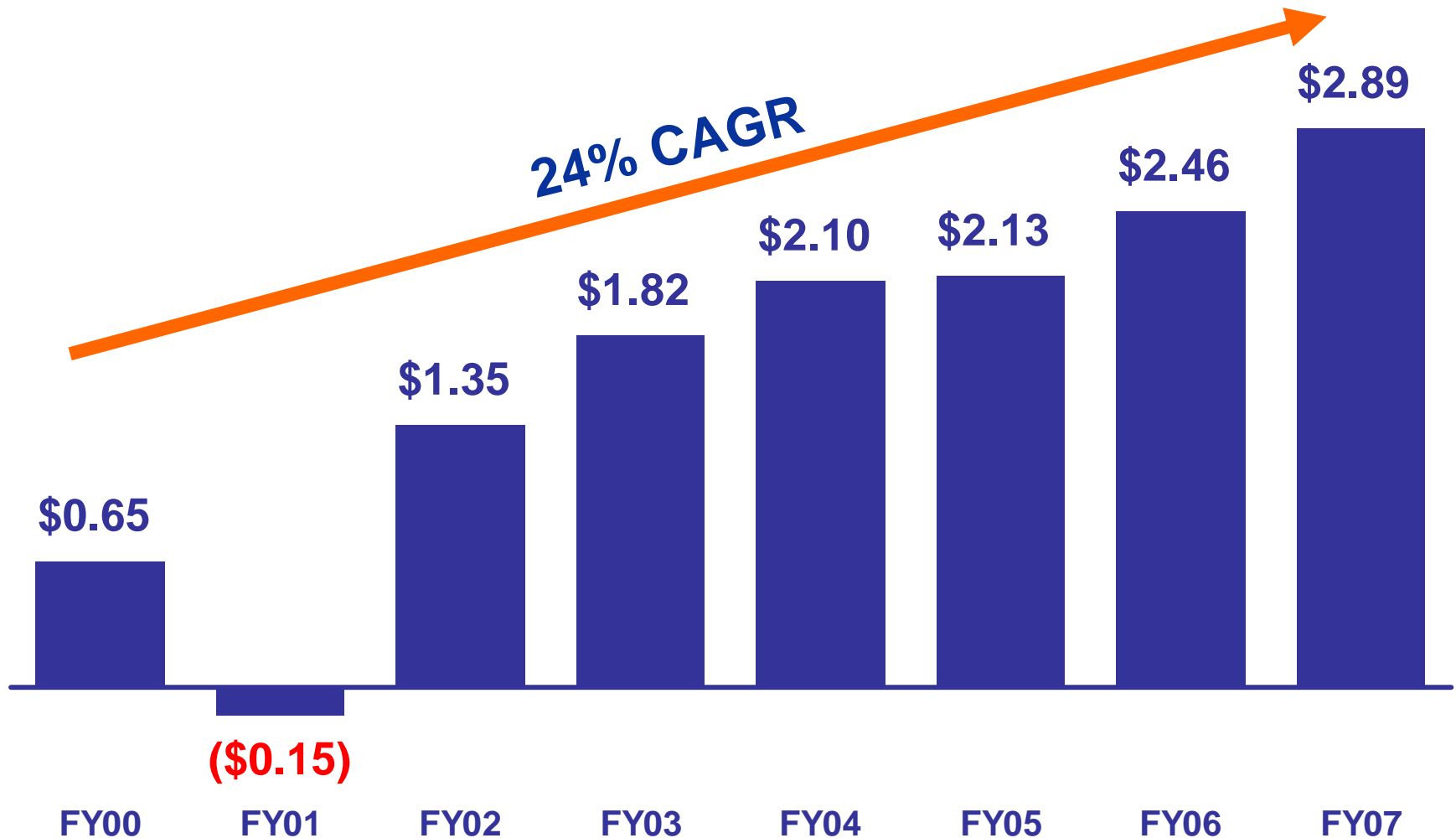
Seven Years of Strong Revenue Growth

\$ Billions



* Revenues for FY00 and FY01 not adjusted for discontinued operations occurring after FY05.

Revenue Growth Leveraged into Higher EPS (from continuing operations)*



* EPS from continuing operations, excluding securities litigation charges/(credits). EPS for FY00 and FY01 not adjusted for discontinued operations occurring after FY05.

Market-leading Momentum in Distribution Solutions

- Strong relationships with branded pharmaceutical manufacturers and increased visibility to compensation
- In addition to branded pharmaceuticals, focus on higher-margin products and services in both pharmaceutical and medical surgical distribution
- Significant growth in generics franchise
- Six Sigma and information technology drive quality improvements and operating efficiency
- Expanding footprint in North America

Market-leading Momentum in Technology Solutions

- Highly-rated customer support & service, product innovation
- Value propositions in Patient Safety and Imaging have driven sales beyond installed base of customers
- Best-practice implementation accelerates revenue recognition
- Emerging opportunities in physician and consumer-directed healthcare
- Growing payor software product offering and expanding disease management market
- Unique opportunity in connectivity

Strategy for Fiscal 2008

- Continue to increase pharmaceutical distribution operating margin through enhanced value proposition
- Increase sales of generics and private label products
- Expand international product sourcing and product development
- Capitalize on customer footprint and connectivity assets in Technology Solutions
- Deploy capital to create shareholder value

Portfolio Approach to Capital Deployment

- Acquisitions
 - Synergistic opportunities
 - Accretive/Value add in line with long term strategy
- Measured share repurchase over time
- Internal investment
- Dividend policy periodically reviewed

Increased financial flexibility to continue to execute our strategy

How We Evaluate Capital Deployment

- Disciplined but opportunistic
- No predetermined capital allocations
- Share repurchase is the baseline for ROIC
- Acquisition focus on market penetration, product line extension, complementary businesses, future direction of our markets

Factors Driving Sustained Value Creation at McKesson

- Unique value proposition in growing healthcare services markets
- Strong and expanding global businesses:
 - Solid operating profit from distribution segment
 - Upside opportunities from higher growth, higher margin technology segment
- Track record of improving financial performance and balanced capital deployment
- Experienced and deep management team with strategic vision
- Commitment to shareholder-focused corporate governance practices

Sustained Value Creation

**Fiscal 2008 earnings per diluted
share of \$3.15 to \$3.30
excluding Securities Litigation
charges or credits**

Jeff Campbell

Executive Vice President
Chief Financial Officer

Factors Driving Sustained Value Creation at McKesson

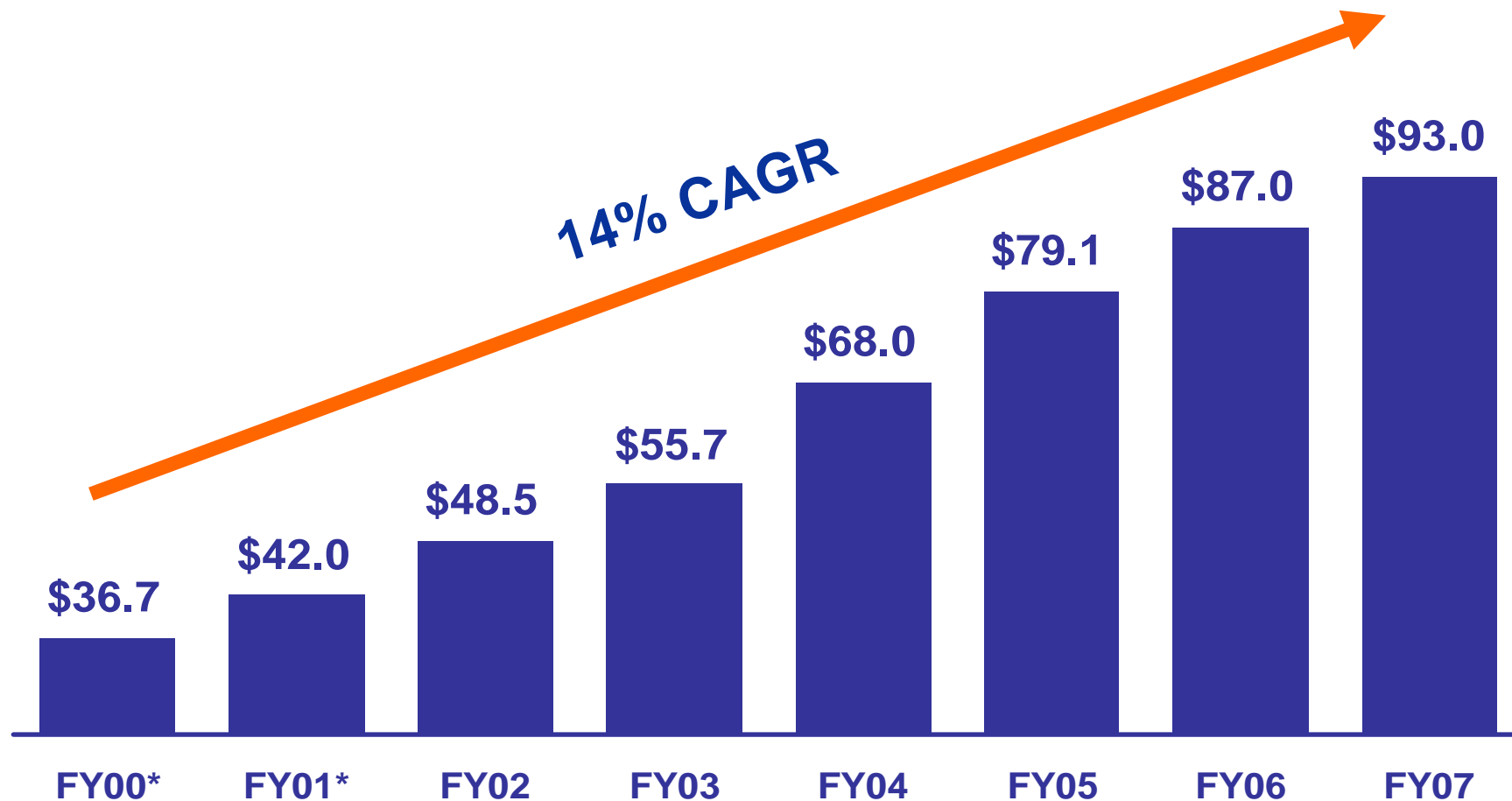
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Sustained Value Creation

Strong Financial Track Record

Seven Years of Strong Revenue Growth...

\$ Billions



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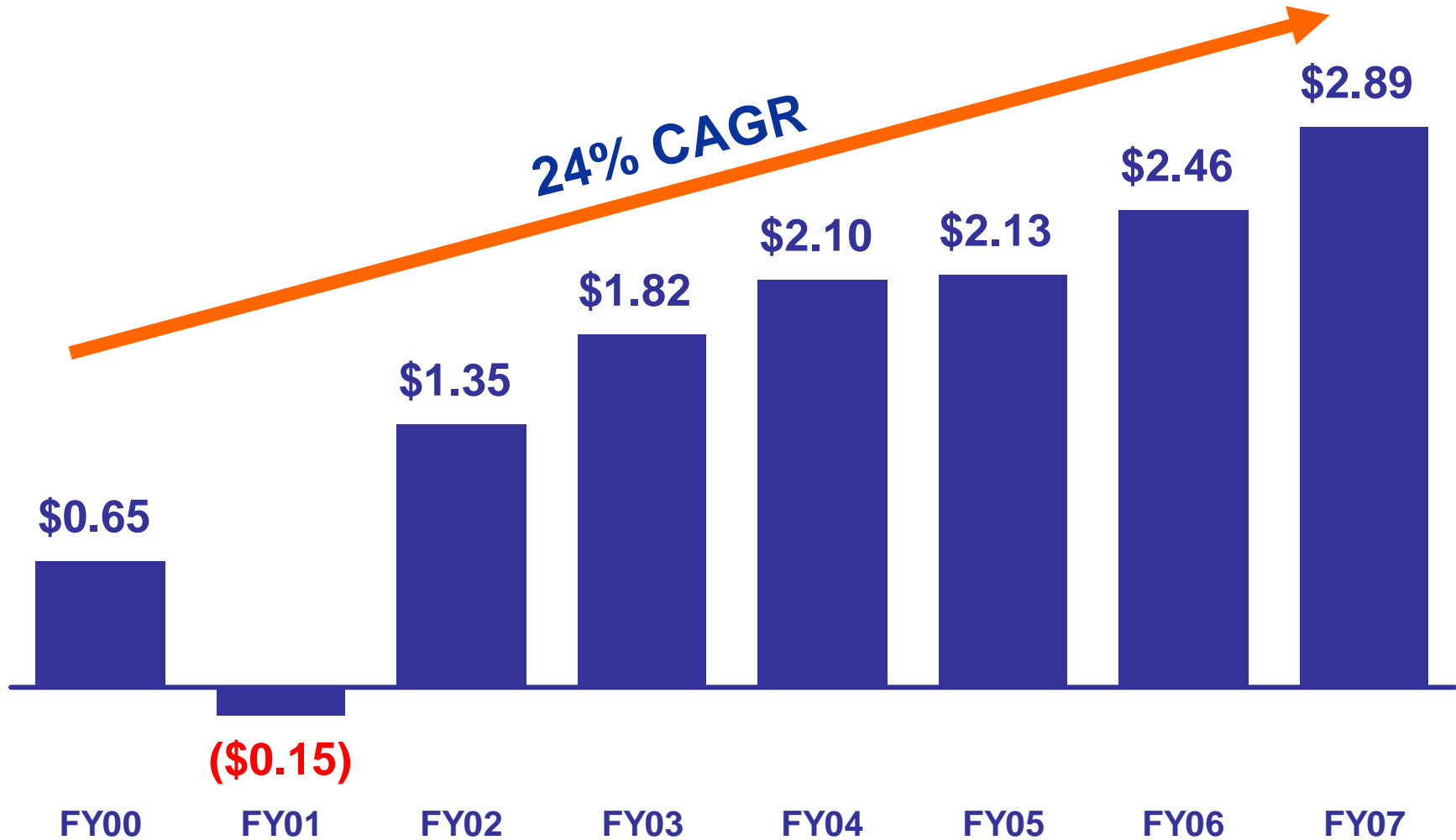
...Demonstrate Outstanding Growth Relative to Largest U.S. Public Companies

1998

2007

<u>Rank</u>	<u>Company</u>	<u>Revenue (\$MM)</u>	<u>Rank</u>	<u>Company</u>	<u>Revenue (\$MM)</u>
101	Delta Air Lines	13,590.0	11	J.P. Morgan Chase & Co.	99,973.0
102	Ashland	13,567.0	12	Berkshire Hathaway	98,539.0
103	Viacom	13,504.5	13	Verizon Communications	93,221.0
104	Alcoa	13,481.7	14	Hewlett-Packard	91,658.0
105	McKesson	13,478.8	15	Intl. Business Machines	91,424.0
106	Northwestern Mutual	13,429.9	16	Valero Energy	91,051.0
107	Dynegy	13,378.4	17	Home Depot	90,837.0
108	Walgreen	13,363.0	18	McKesson	88,050.0
109	Hartford Financial Services	13,305.0	19	Cardinal Health	81,895.1
110	Time Warner	13,294.0	20	Morgan Stanley	76,688.0

Revenue Growth Leveraged into Higher EPS (from continuing operations)*



* EPS from continuing operations, excluding securities litigation charges/(credits). EPS for FY00 and FY01 not adjusted for discontinued operations occurring after FY05.

Fiscal 2007 Consolidated Financial Results Continue the Trends

(Numbers in Millions except EPS)

	<u>FY06</u>	<u>FY07</u>	<u>Chg</u>
Revenues	\$ 86,983	\$ 92,977	7%
Income*	\$ 775	\$ 881	14%
EPS*	\$ 2.46	\$ 2.89	17%
Diluted Shares Outstanding	316	305	-3%

* Income and diluted EPS from Continuing Operations excluding Securities Litigation charges/(credits)

Fiscal 2007 Results Recast for New Segments

(\$ in Millions)

	As Recast			As Reported		
	FY06	FY07	Chg	FY06	FY07	Chg
Revenues						
Distribution Solutions	\$ 85,139	\$ 90,738	7%	\$ 83,404	\$ 88,708	6%
Medical-Surgical				2,037	2,364	16%
Technology Solutions	1,844	2,239	21%	1,542	1,905	24%
	<u>\$ 86,983</u>	<u>\$ 92,977</u>	7%	<u>\$ 86,983</u>	<u>\$ 92,977</u>	7%
Operating Profit						
Distribution Solutions	\$ 1,250	\$ 1,395	12%	\$ 1,211	\$ 1,361	12%
Medical-Surgical				83	81	-2%
Technology Solutions	187	206	10%	143	159	11%
	<u>\$ 1,437</u>	<u>\$ 1,601</u>	11%	<u>\$ 1,437</u>	<u>\$ 1,601</u>	11%
Operating Margins						
Distribution Solutions	1.47%	1.54%	7bp	1.45%	1.53%	8bp
Medical-Surgical				4.07%	3.43%	(64bp)
Technology Solutions	10.14%	9.20%	(94bp)	9.27%	8.35%	(92bp)

Revenue Growth with Expanding Operating Margin in Distribution Solutions

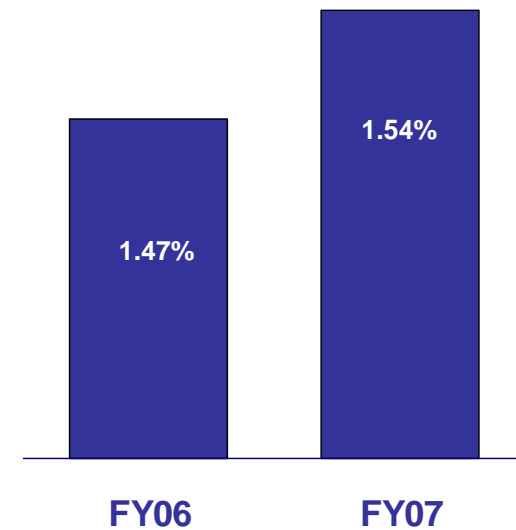
Revenues
(in billions)



Operating Profit
(in millions)



Op. Margins %



Four Levers for Distribution Solutions Operating Margin Expansion

**Generics and
Sourcing**

Sell Margin

**Mfr.
Comp.**

**Operating
Expenses**

**Operating
Margin Goal:
150 to 200 bp**

<u>FY05</u>	<u>FY06</u>	<u>FY07</u>
1.41%*	1.47%	1.54%

* Not adjusted for segment reclassification

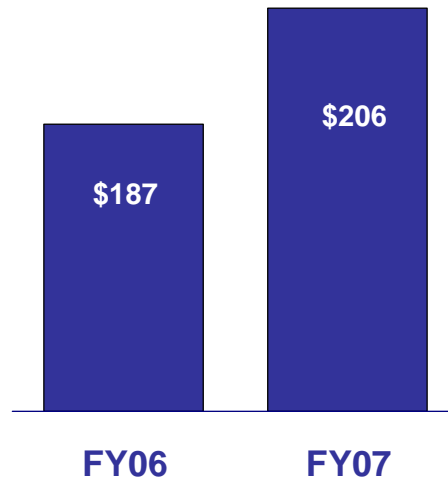
Strong Growth and Continued Investment in Technology Solutions

**Operating Margin % Goal:
Low to mid-teens**

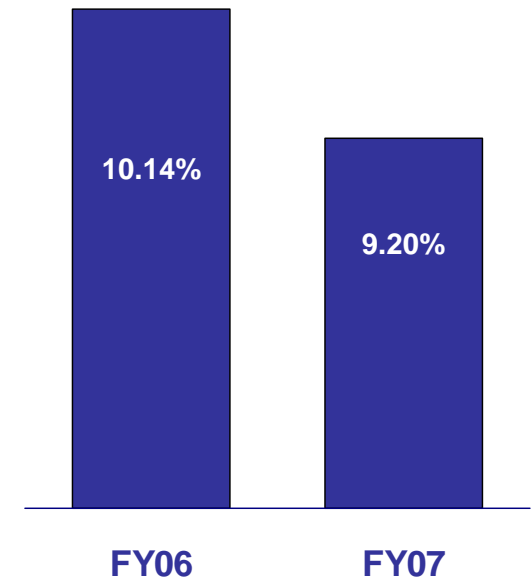
Revenues
(in billions)



Operating Profit
(in millions)



Op. Margins %

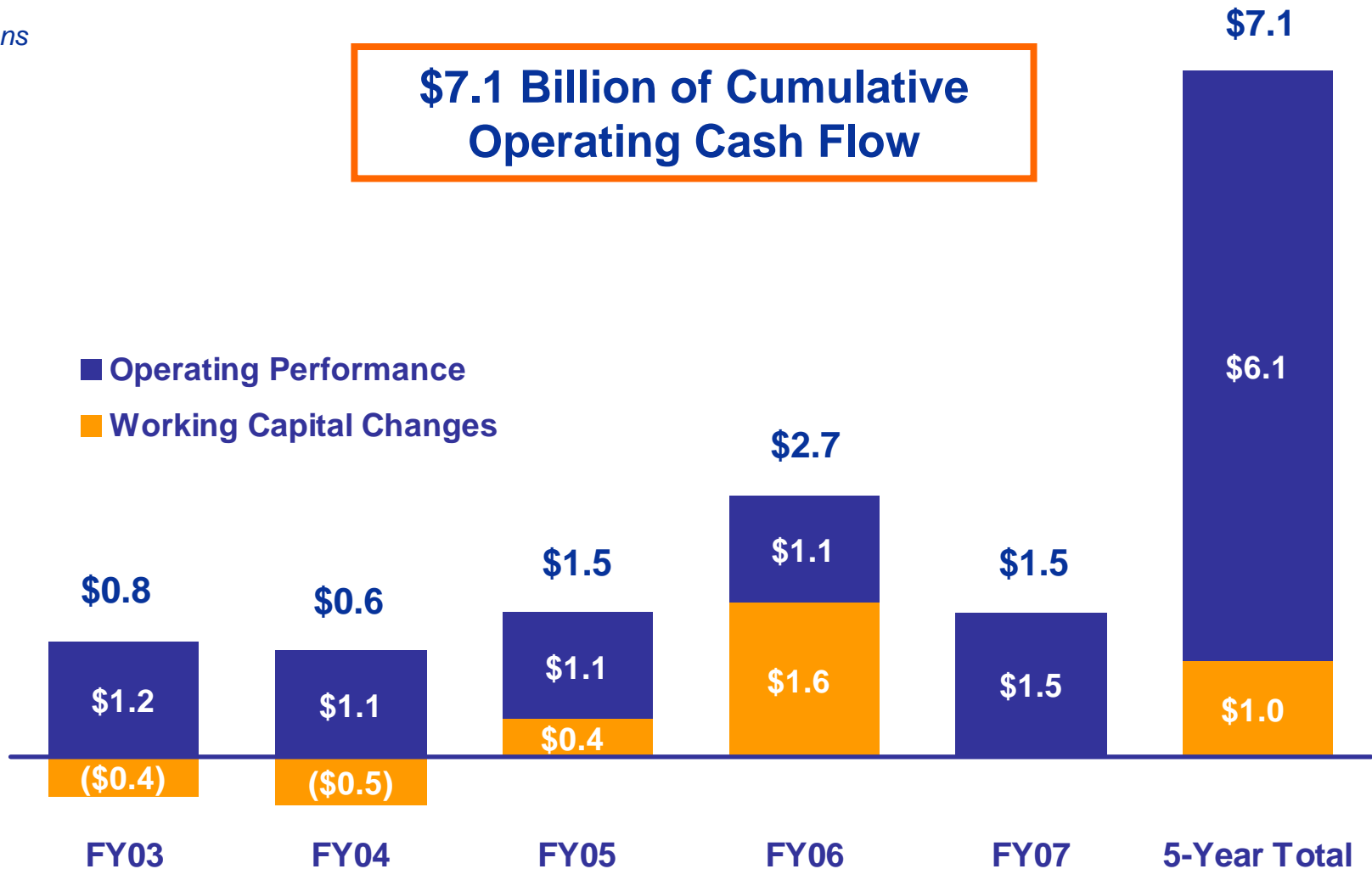


Balanced Capital Deployment

Financial Performance Drives Strong Operating Cash Flow...

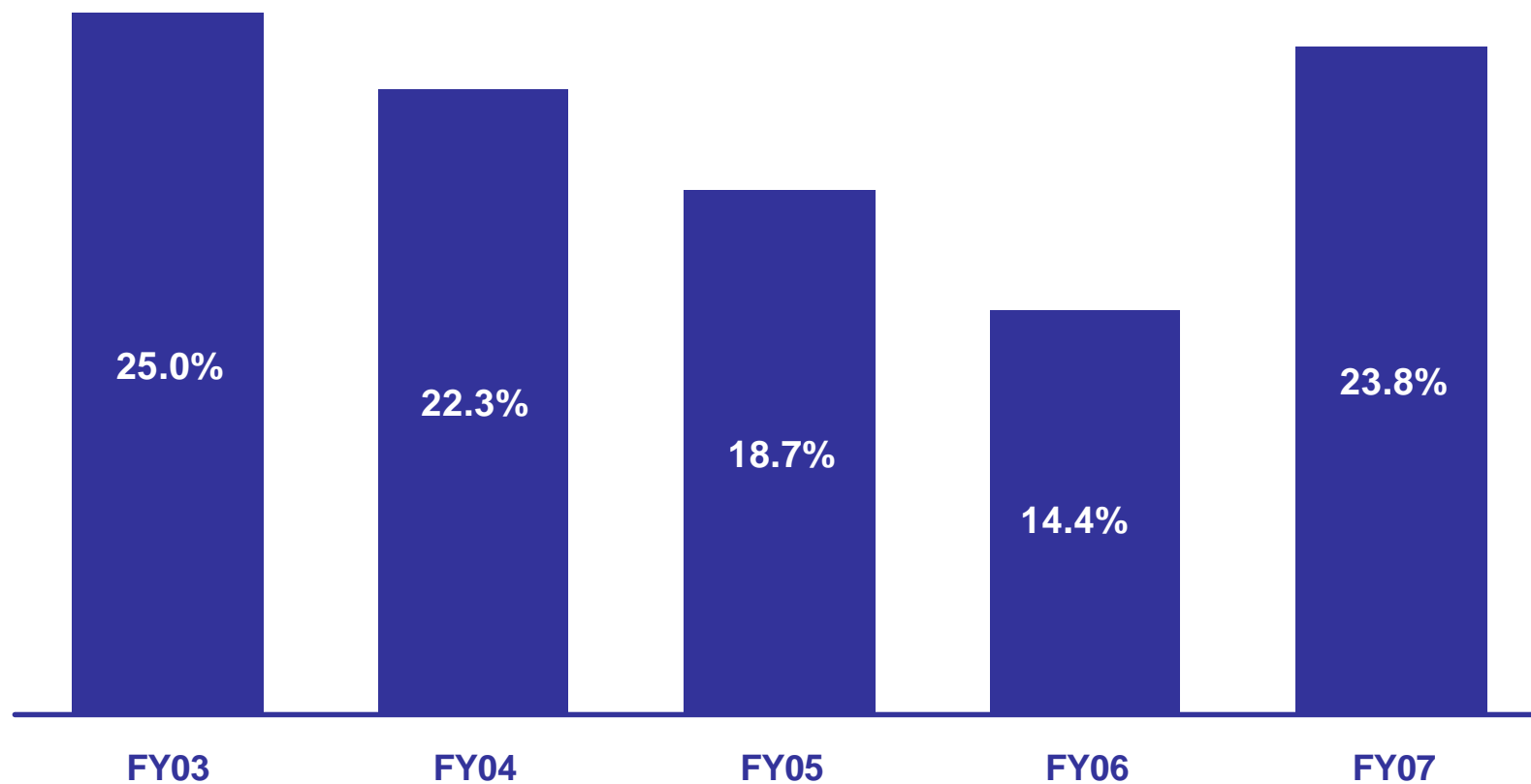
\$ Billions

\$7.1 Billion of Cumulative Operating Cash Flow

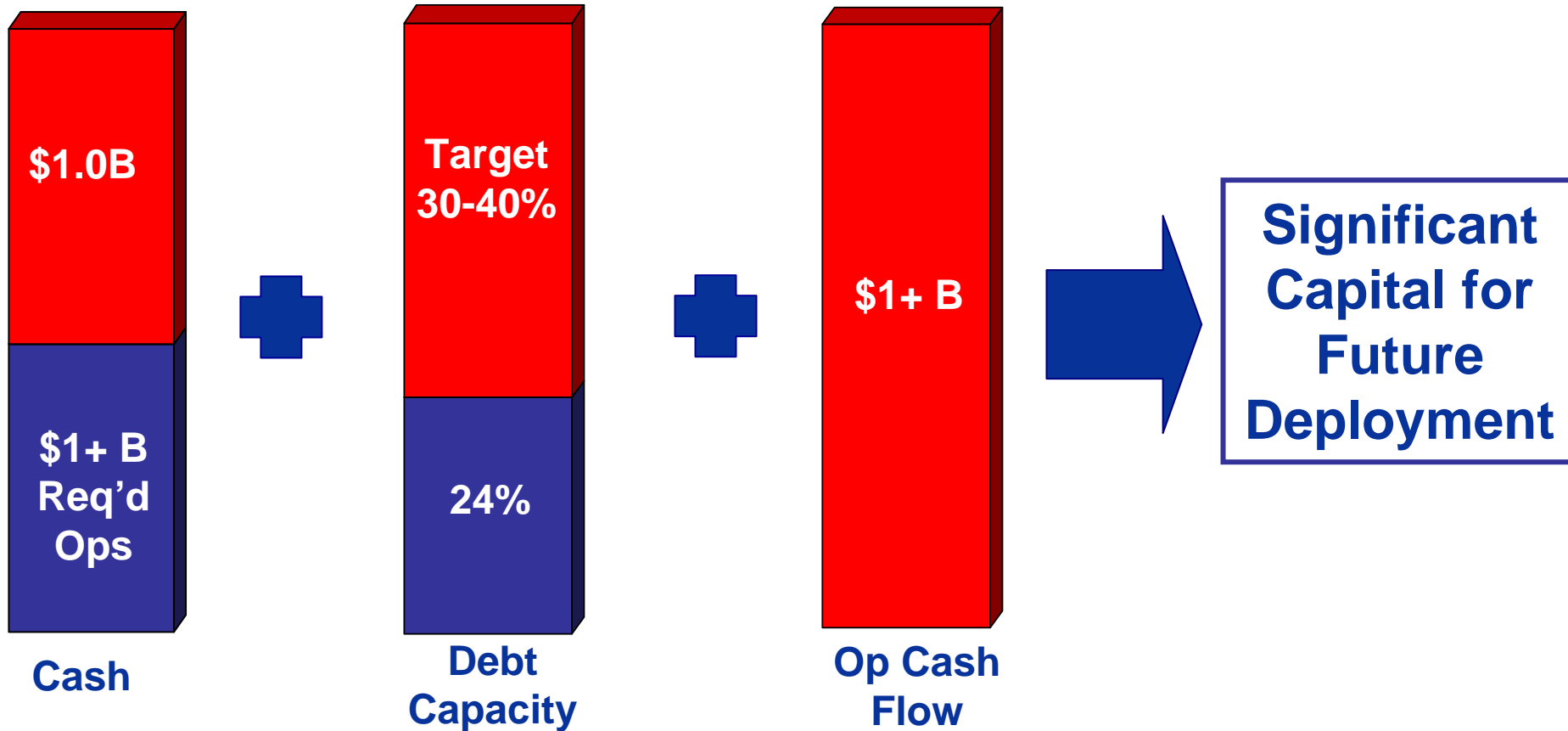


...Providing a Strong Balance Sheet...

Gross Debt-to-Capital Ratio



...With Significant Financial Flexibility to Create Further Value

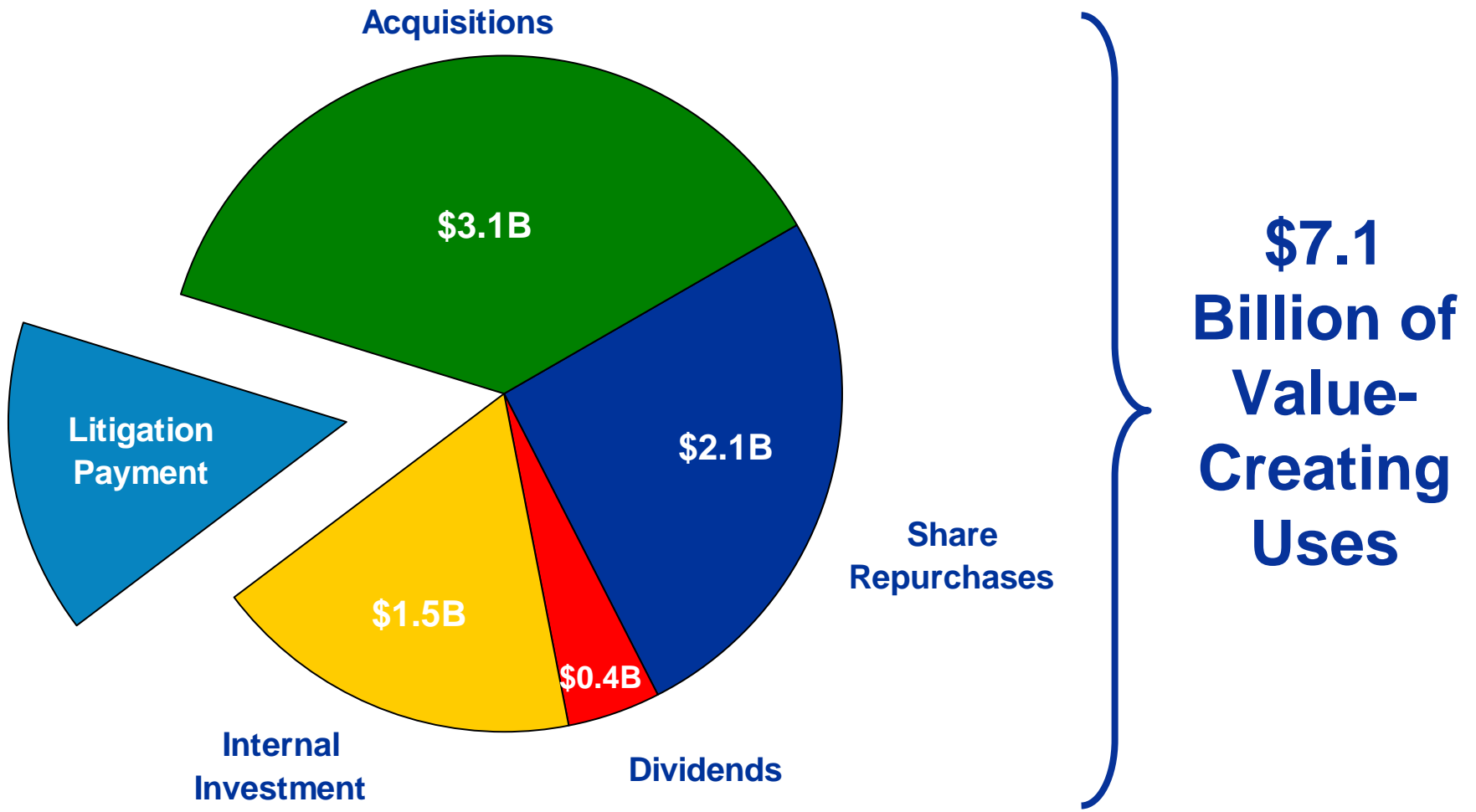


We Use a Portfolio Approach to Capital Deployment

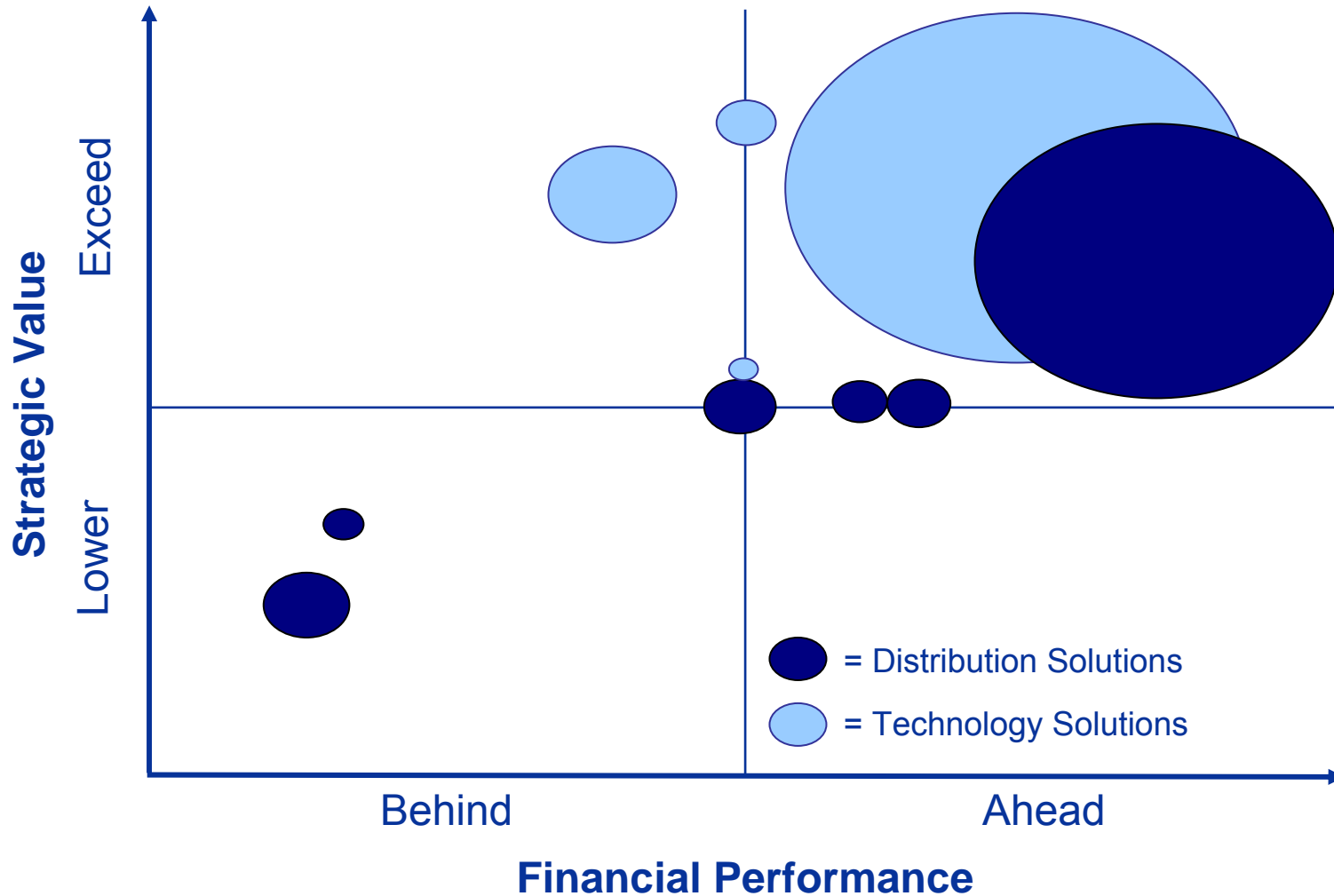
- Acquisitions
 - Synergistic opportunities
 - Accretive/Value add in line with long term strategy
- Measured share repurchase over time
- Internal investment
- Dividend policy periodically reviewed

Increased financial flexibility to continue to execute our strategy

Capital Deployed Fiscal 2003 to Fiscal 2007

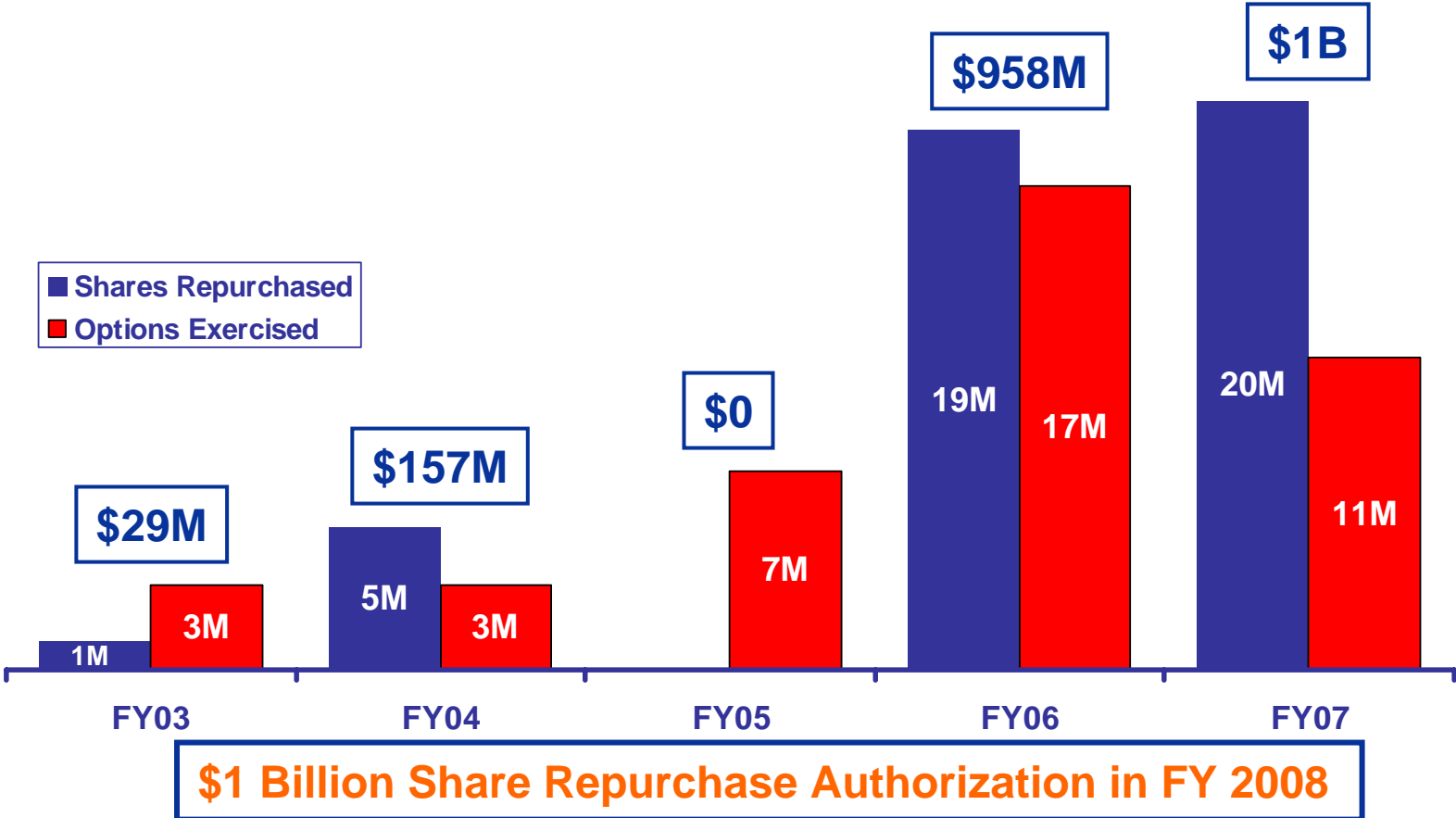


Disciplined Acquisitions Enhance Financial Performance and Strategy



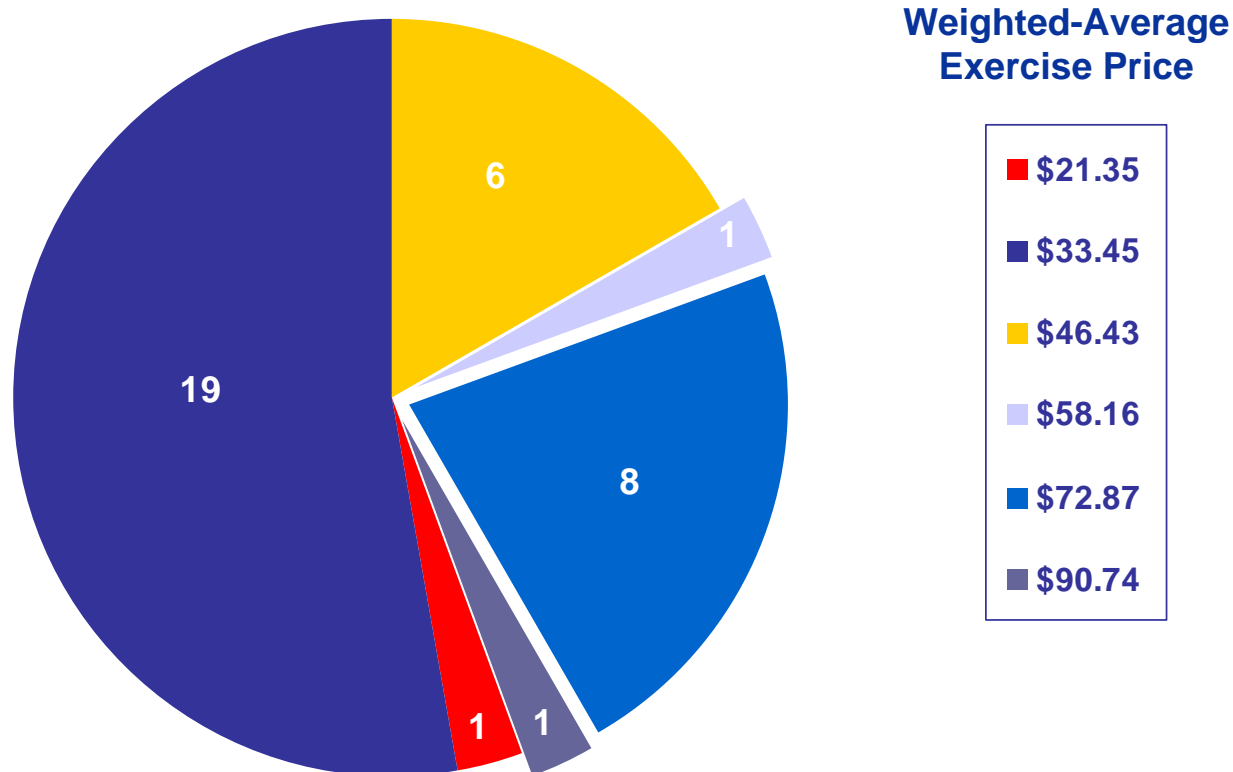
Share Count Leverage from Share Repurchase Activity...

➤ We have repurchased 45 million shares since FY03, offset by 41 million options exercised



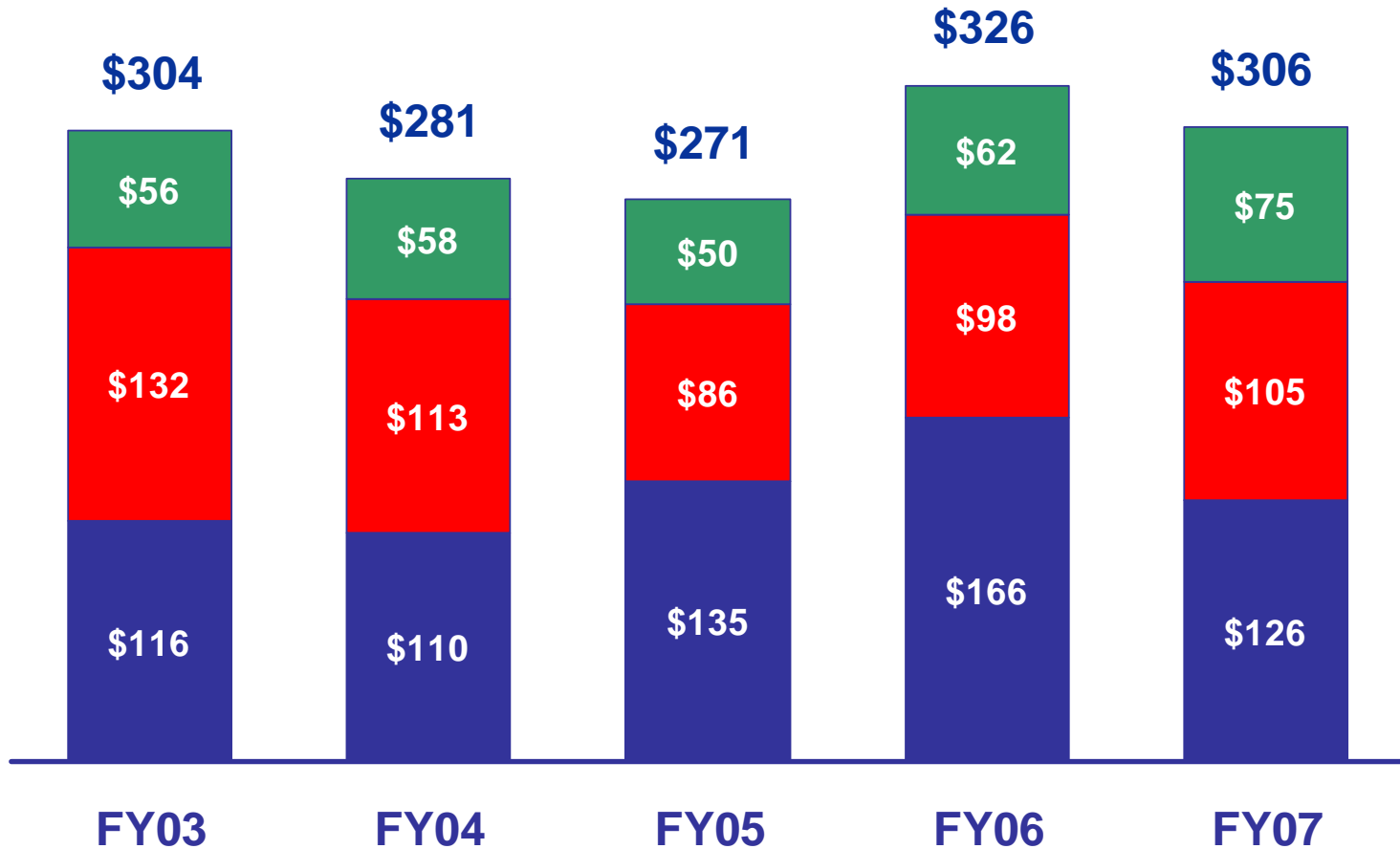
...Accelerates as Stock Option Overhang Declines

- 10 million of 36 million options outstanding set to expire in the next 2 years – 9 million of which are out of the money...and new issuances are minor



Internal Investment Needs are Modest and Consistent

\$ Millions



■ Capital Expenditures

■ Capitalized Internal Use Software

■ Capitalized Software Held for Sale

We Use a Portfolio Approach to Capital Deployment

- Acquisitions
 - Synergistic opportunities
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Increased financial flexibility to continue to execute our strategy

Commitment to Shareholder-Focused Financial Transparency

**Fiscal 2008 earnings per diluted
share of \$3.15 to \$3.30
excluding Securities Litigation
charges or credits**

What's Included in Fiscal 2008 Outlook?

- Seasonal pattern in branded pharmaceutical compensation and price inflation similar to Fiscal 2007
- Generic launches representing same volume of branded drugs but will occur late in the fiscal year compared to Fiscal 2007
- LIFO credit of \$18 million vs. \$64 million in Fiscal 2007
- Incremental equity-based compensation expense of 6 to 8 cents per diluted share
- Tax rate of 34% to 35%
- Operating cash flow in excess of \$1 billion
- Average shares of 302 million for diluted EPS calculation
- Guidance range does not include any potential Securities Litigation reserve adjustments, acquisitions, divestitures, material restructurings or integration-related actions

Commitment to Best Practices in Financial Communication

- Detailed financial reporting focused on ongoing business performance
- Guidance: range of annual EPS with key assumptions
- Extensive disclosure in public filings
- Informative additional communications
- Access to management

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

McKesson 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
- McKesson High Volume Solutions
- Parata Systems

McKesson Specialty

- Specialty Distribution
- Specialty Pharmacy
- Reimbursement & PAP
- Oncology Services

McKesson Medication Management

- Pharmacy Management
- Pharmacy Consulting

McKesson has significant positions in all channels

Revenue reached \$91B in FY07

Major Milestones Since FY2001

Goals

Achievements

McKesson Pharmaceutical Distribution

Be #1 in U.S. Pharma

#3 → #1

Be #1 in fastest growing segments

Hospital: \$6.5B → \$17B

Mail: \$1.5B → \$13.9B

Health Mart: 262 → 1,500

Grow operating margin to over 150bp

141bp → 154bp

Grow proprietary Generics revenue faster than market

Grew at over 4.5 times the market rate*

Improve network efficiencies

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

McKesson Medical Surgical

Divest acute care business

Completed

Strategic Acquisitions

Acquired Moore, Sterling, Cypress

Expand McKesson Brand to 12%

5% → 12%

* Source: Espicom, McKinsey & Co.

McKesson is the Premier Choice among Customers



Ranked #1 of Top 20 Drug Retailers/Wholesalers in
May/June 2007 edition of *Private Label*

DRUG TOPICS

Health Mart Named “Pharmacy Chain of the Year”
by *Drug Topics Magazine*

WAL*MART

Wal-Mart “Supplier of the Year” for 2 of the
last 4 years



Target Strategic Partner since 2006

PREMIER

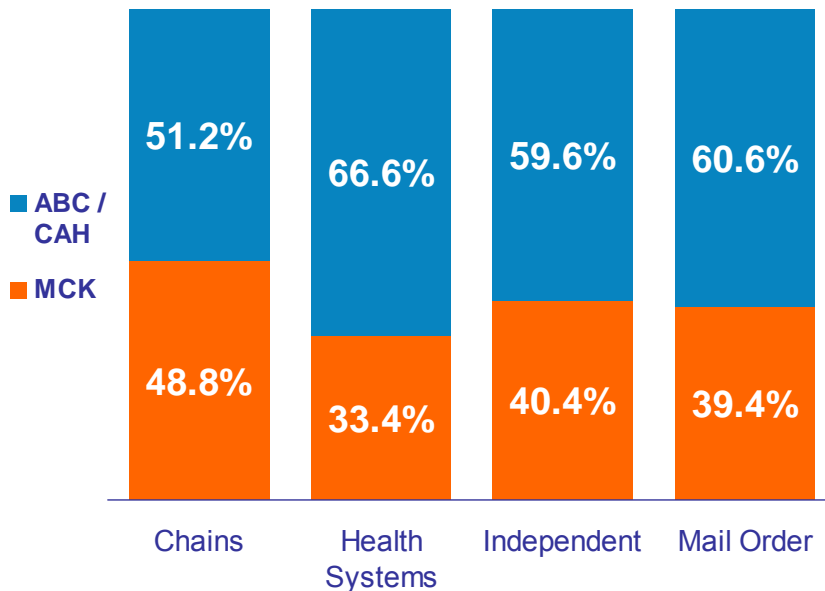
Premier’s # 1 Quality Wholesaler

McKesson Has a Leading Position

Chain, Health Systems, Independent, Mail, Primary Care, Extended Care and Alternate Site segments

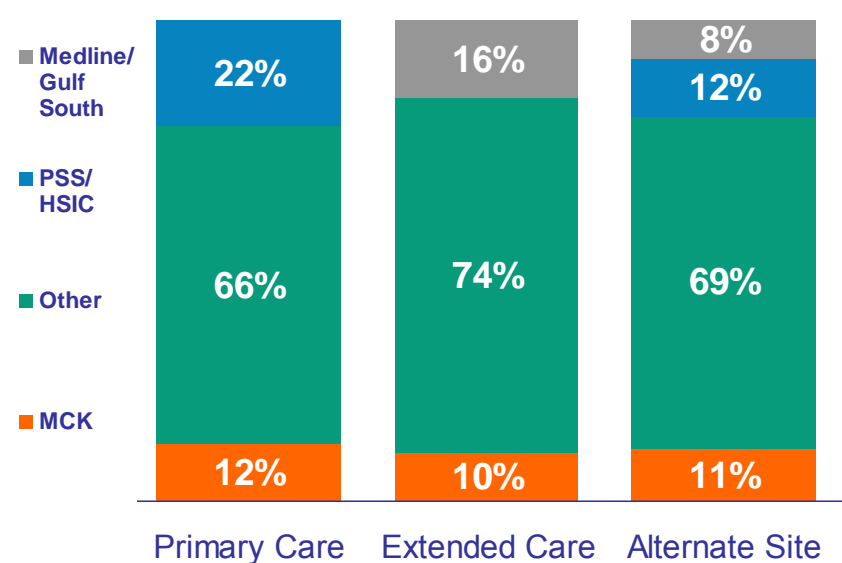
U.S. Pharmaceutical

FY07 Position by Segment
(Big 3=100%)



McKesson Medical Surgical

FY07 Position by Segment
(Large "Other" Space)



Source: IMS Health DDD data, MCK analysis & estimates

Notes: MHS includes Hosp, Extended Care, VA; Independent 1-3 pharmacies; Chains 4+ pharmacies

U.S. Pharmaceutical has a Broad Value Proposition for all Customers

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

U.S. Pharmaceutical Industry Environment

- Total market forecasted to grow at 6.7% CAGR from 2007-2011*
- Generic expected to reach 63% in 2007 and 69% by 2010
- Public Policy
- FFS entered second generation and stable
- Sell-side margins relatively stable

Improving Supply Chain Processes

➤ McKesson Celebrates 8 Years of Six Sigma

- Operating expense savings of \$982M
- Self-supported & deployed in all business units



➤ Partnering with Suppliers

- Joint process improvements achieved with >200 suppliers
- Ongoing Supplier Scorecard review with top 100 suppliers

➤ Helping our Customers

- Blackbelt and Greenbelt training
- Improving inventory management with 2 top national chains
- \$60M in new Park Nicollet business won due to RFP Lean Six Sigma audit

Pharmaceutical Distribution FY08 Core Priorities

- Expand Generics offering in all segments
- Retain customers in all segments
- Deepen manufacturer relationships
- Optimize network efficiencies
- Integrate Per-Se pharmacy systems
- Expand and further consolidate global sourcing
- Continue Specialty distribution and oncology market growth
- Expand Canadian footprint from distribution to other McKesson offerings
- Grow in the Mexican independent market and assess emerging generics market with Nadro

McKesson Generics Are a Win-Win for Everyone



Manufacturer

- Economies of scale
- Auto-substitution feature
- Consistent demand
- Single point of delivery
- New product launch auto-ship program



McKesson

- Volume purchasing power
- Competitive vendor bid process
- GenericsConnect telephonic information and sales channel
- Expanded margin opportunities
- Distribution efficiencies



Customer

- Proprietary generics program offerings for all segments
 - Generics Purchase Rewards (GPR) program
- Generics utilization diagnostic tool
- Auto-substitution feature
- Online ordering and supply management
- New product launch auto-ship program

Opportunity to Increase Proprietary 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

+ + + + +

+ = 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 records

McKesson Medical Surgical has a Broad Value Proposition for all Customers

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

McKesson Medical Surgical Industry Environment

- Solid organic growth of 4–6%
- Highly fragmented market
 - Over 50% of products distributed through local, regional suppliers
 - Consolidation opportunities
- Care and procedures migrating out of the hospital
 - 20 million surgical procedures/year outside hospital (25%)
 - Lab, cosmetic performed in physician office
- Home care rapidly developing

McKesson Medical Surgical FY08 Core Priorities

- Expand operating leverage
 - Invest in Home Care
 - Grow McKesson Brand
 - Cypress – Global Sourcing
 - Penetration of vaccines / pharmaceuticals
 - MTS / Medical Surgical collaboration
-
-

Distribution Solutions Summary

- #1 pharmaceutical distributor in U.S., Canada and Mexico
- #1 in pharmacy automation
- #1 independent retail pharmacy franchise – Health Mart
- #1 buyer of generics
- #1 primary care medical surgical supply distributor
- #1 extended care medical surgical supply distributor
- Comprehensive private label offering for generic OTC drugs and medical surgical supplies

Break



Investor Day 2007



Equitable Auditorium, New York City
June 21, 2007

Pam Pure

Executive Vice President
President,
McKesson Technology Solutions

Provider Technologies

- Health Systems
- Medical Imaging
- Automation
- Ambulatory

RelayHealth

- Consumer
- Provider
- Pharmacy

Health Solutions

- Claims Performance
- Medical Management
- Disease Management

International Operations Group

- United Kingdom
- France/
Netherlands



Progress Report

Subject

On Plan

Accelerated Progress

Outstanding Results

Business Progress

Integration Planning

Business Creation with RelayHealth

Accelerating Growth with Payors

Creating Unique Customer Value

Building a Differentiated Strategy

			✓
		✓	
			✓
		✓	
			✓
			✓



Business Progress

Rating: **Outstanding Results**

Comments

- Market leader, highly differentiated portfolio.
- Full solution suite to automate and connect key healthcare constituents – physicians, hospitals, retail pharmacies, payors, patients.
- Strong, experienced management team.

Core Business in Hospital

FY01

Revenue **\$942 million**

Employees **6,000**

-- Sales Quota Carriers **188**

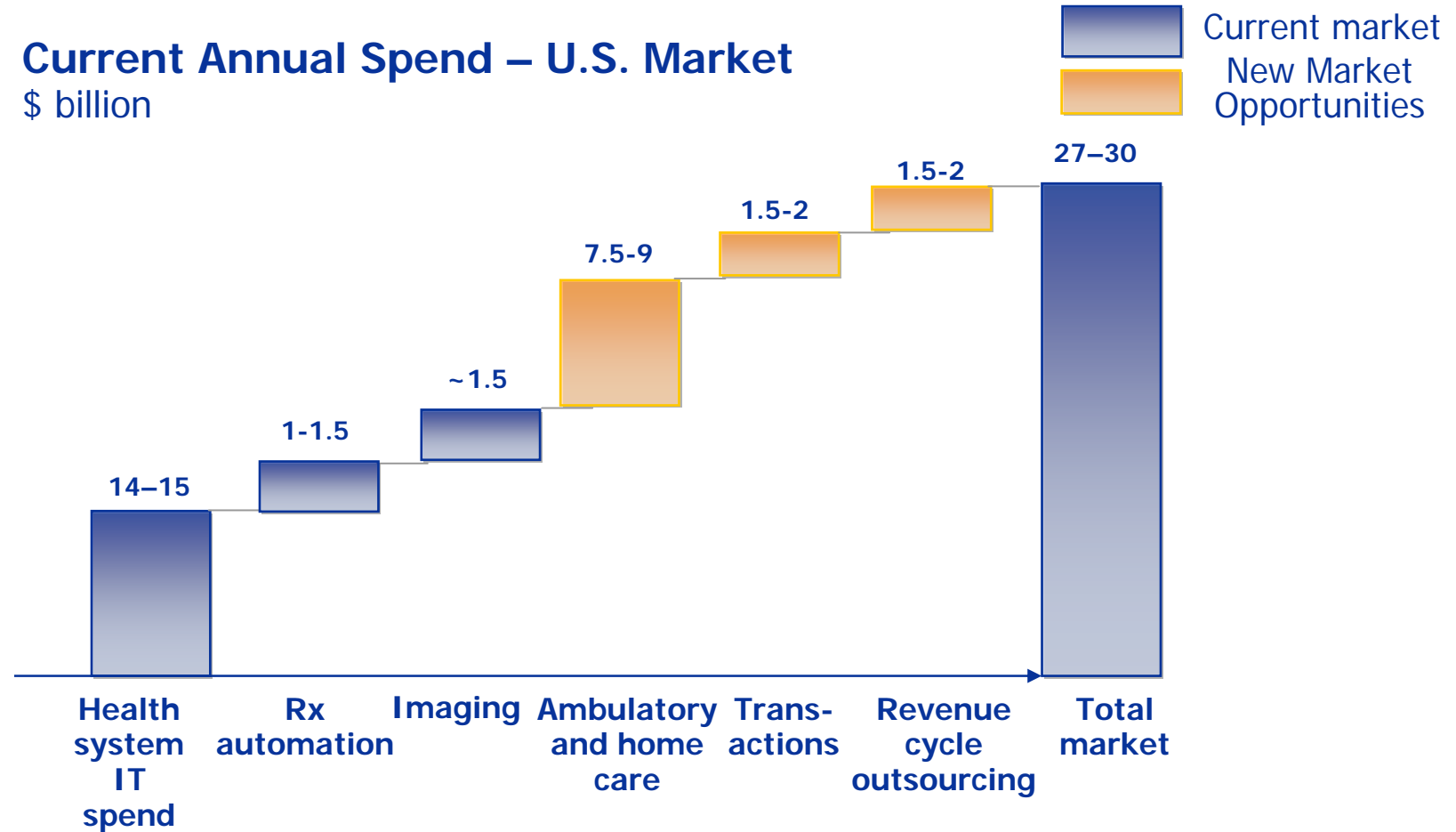
-- Total R&D **1,323**

Portal log-ins **Launch**

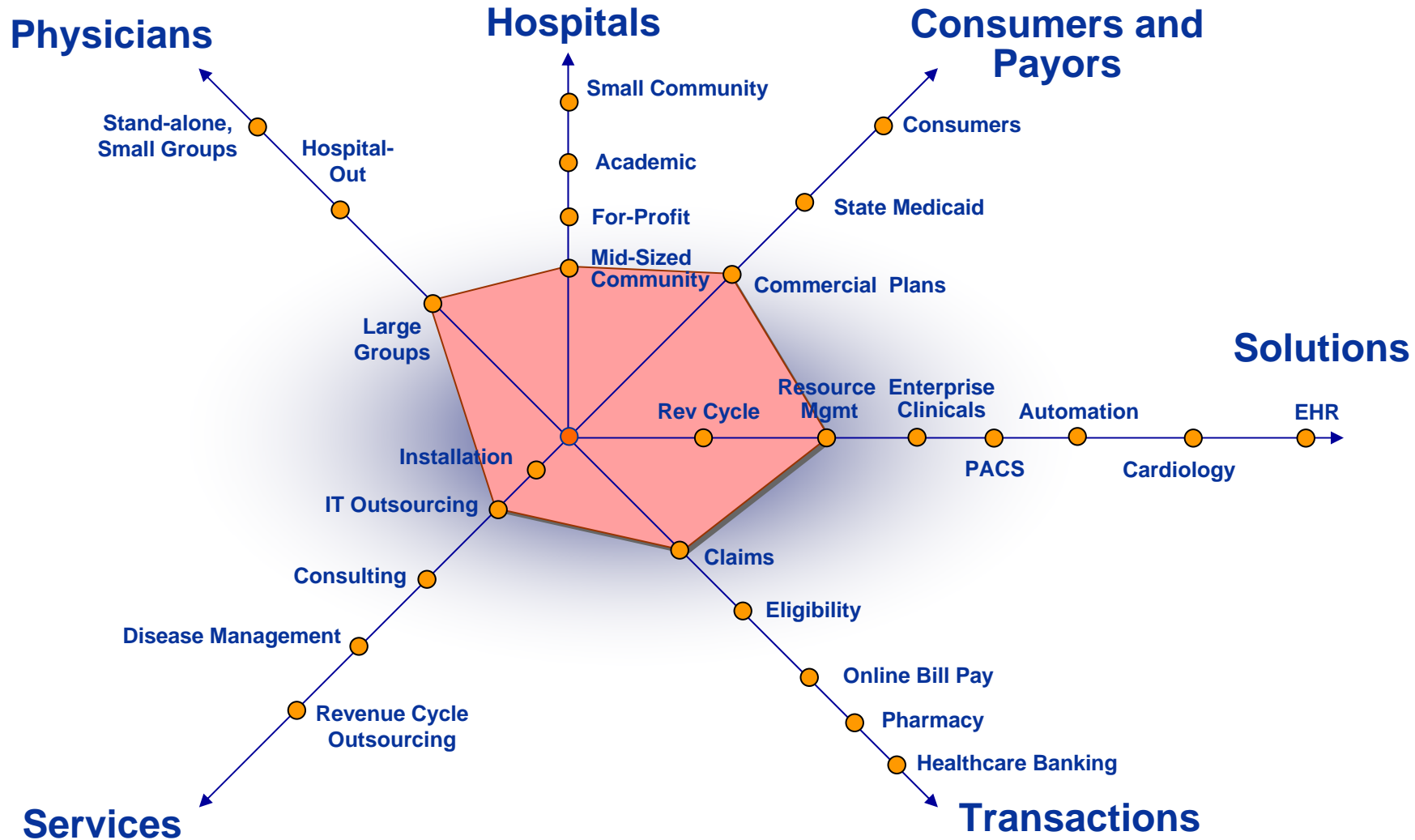
\$27-30 Billion Market

Current Annual Spend – U.S. Market

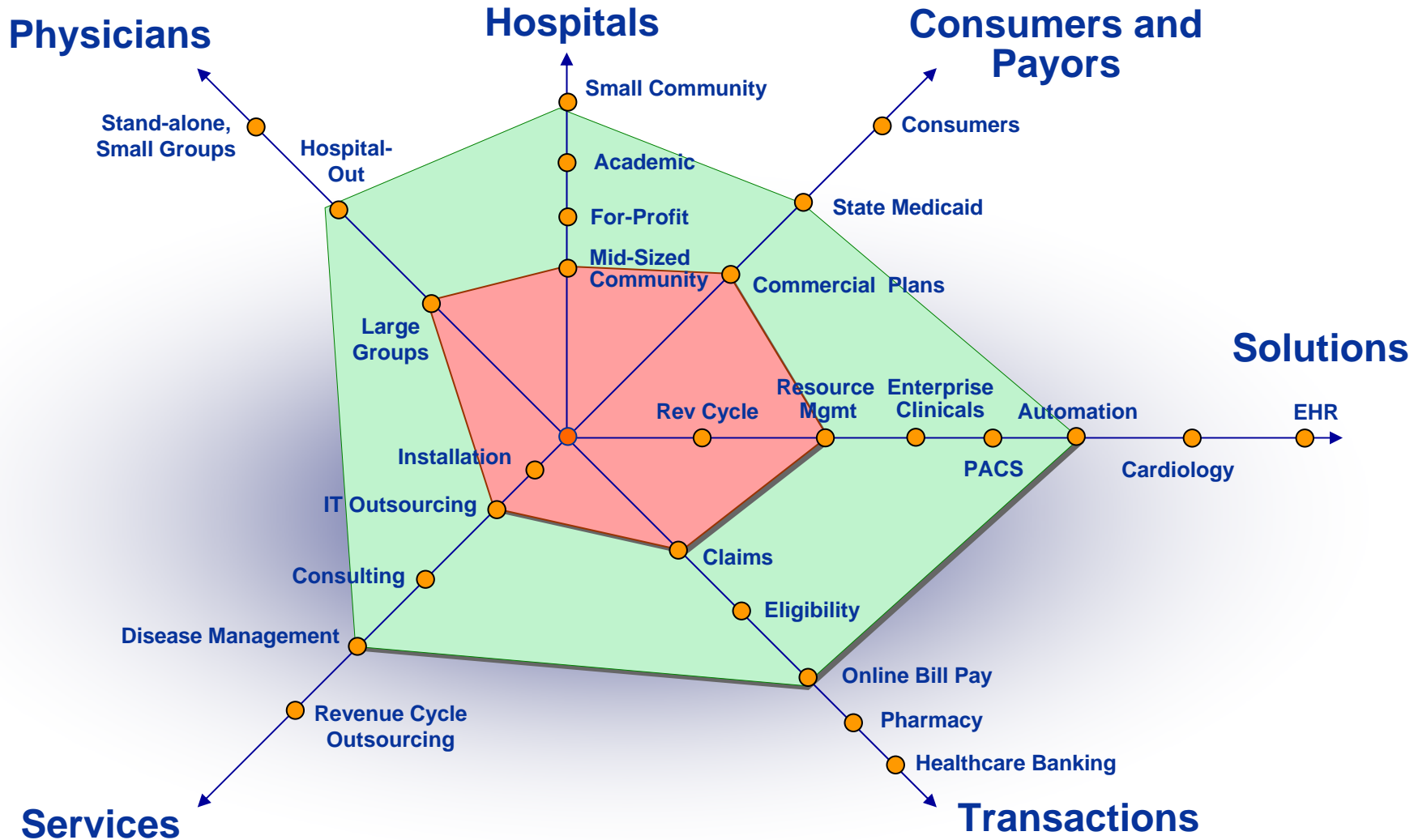
\$ billion



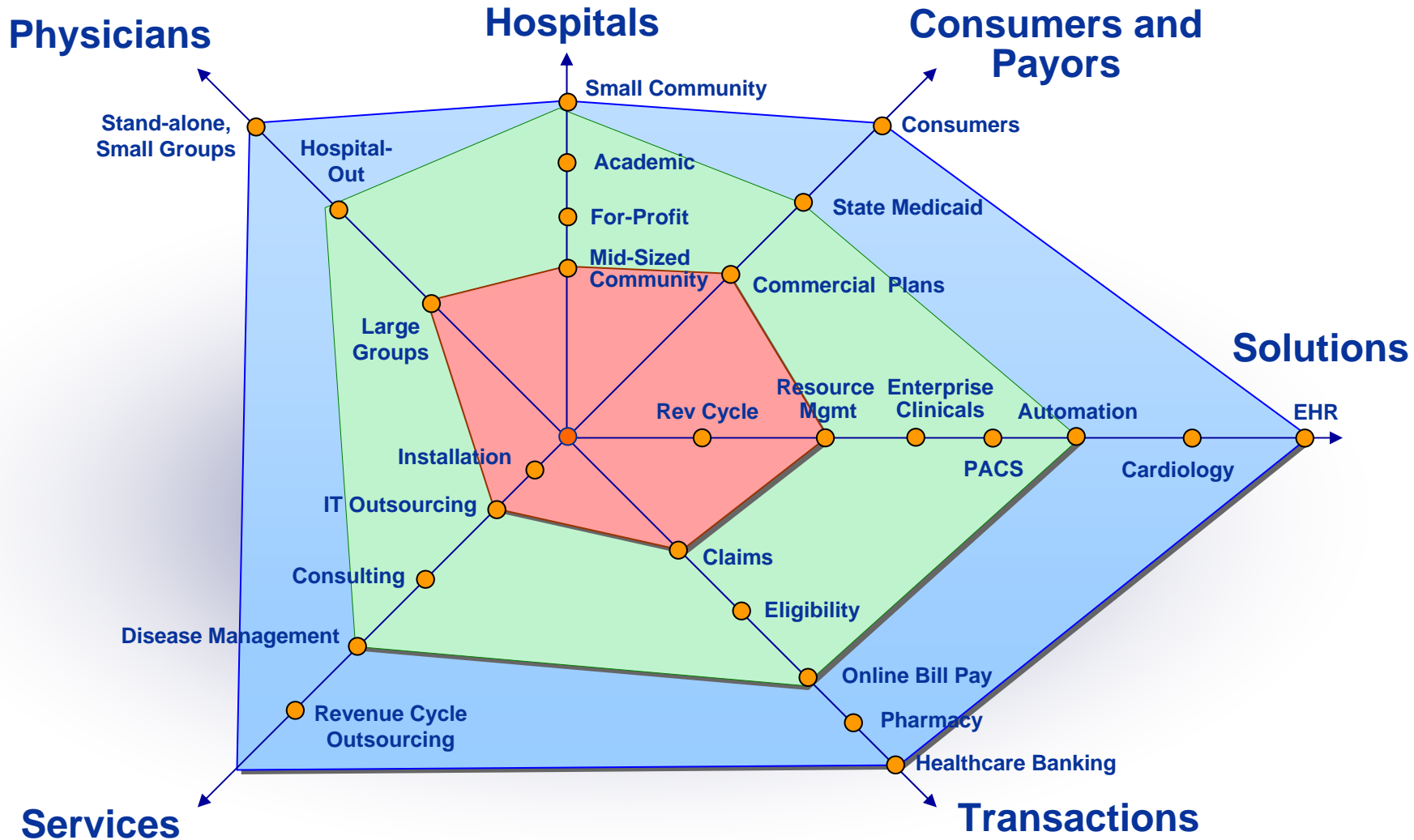
Strategic Expansion of the Business



Strategic Expansion of the Business



Strategic Expansion of the Business



Strong Momentum in HEALTHCARE

FY01

FY08

Revenue	\$942 million	~\$3 billion
Employees	6,000	>16,000
-- Sales Quota Carriers	188	628
-- Total R&D Capacity	1,323	3,051*
Portal log-ins	Launch	>4 million / mo.

* Includes 832 offshore resources

Solution Portfolio

Product and Service Quality

2007 Midyear Report – Category Leaders



- Pathways Materials and Financials Management ^G
- Horizon Laboratory ^G
- Horizon Cardiology RD
- Pathways Compliance Advisor ^{OG}
- Paragon ^C
- Horizon Medical Imaging ^C
- Paragon Clinicals and Financials ^C
- Horizon Homecare ^{SH}
- Robot-RX^{OM}

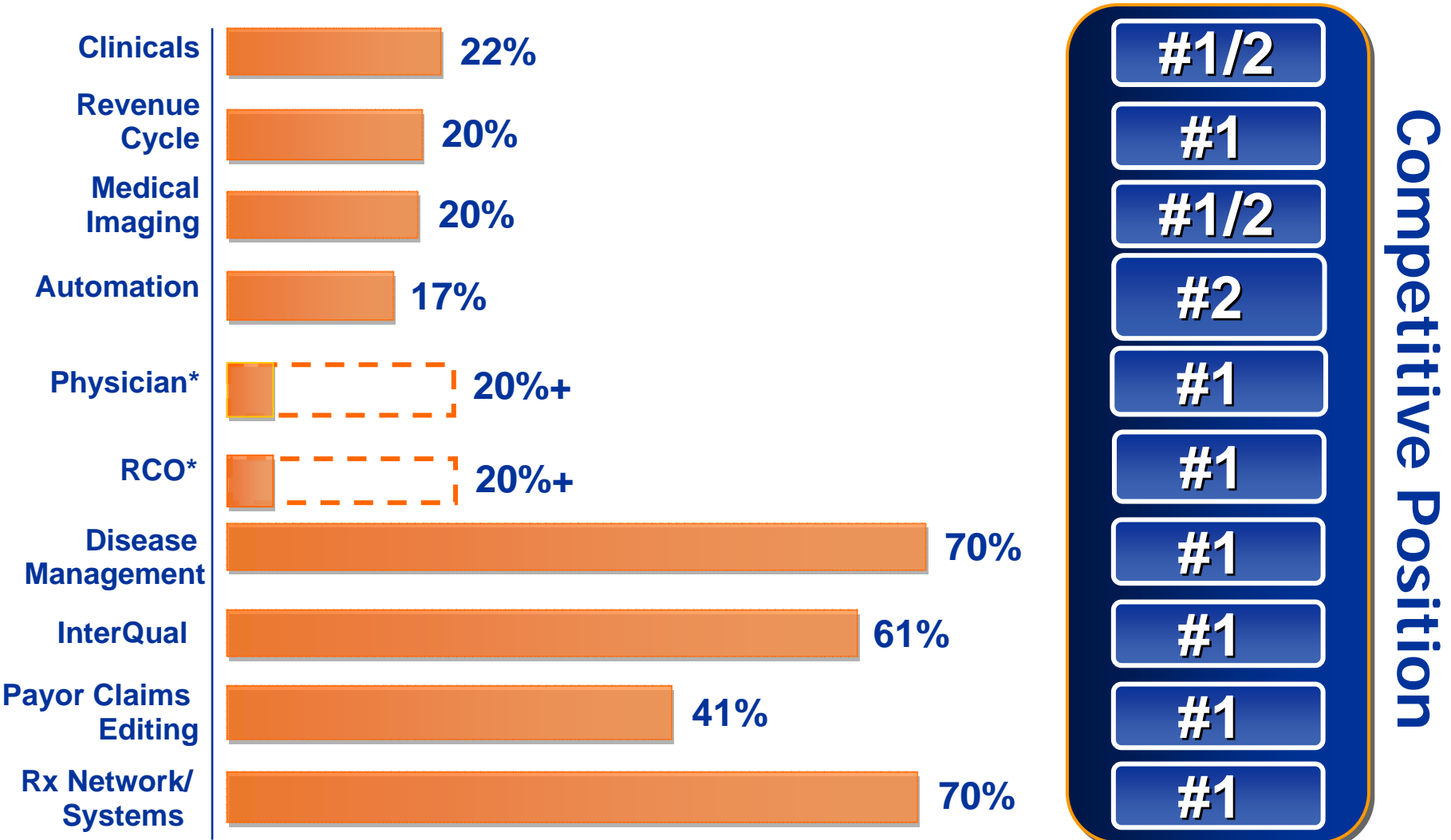
2007 Midyear Report – Ranked in Top Three

- Horizon Expert Orders and Horizon Expert Documentation ^G
- Horizon Performance Manager ^G
- Anso's One-Staff ^{OG}
- AcuDose-Rx ^{OG}
- EC2000 Claims Administrator ^{OG}
- Horizon Meds Manager ^G
- Physician Portal ^{OG}
- Horizon Passport ^{OG}
- Pathways Contract Management ^{OG}
- Horizon Practice Plus ^{26-100 & 100+}

Market Segment Abbreviations: G – General; C – Community; OG – Other General; SH – Specialty Hospice; R – Reporting & Documentation; 26-100 – Number of Physicians OM – Other Medical Equipment

Source: KLAS 2007 Mid-Year Top 20 Year Report; www.healthcomputing.com; © 2007 KLAS Enterprises, LLC. All rights reserved.

Industry Leadership



* Footprint including RelayHealth and Per-Se

Source: Various market research firms; Yahoo!Finance

Healthcare Leadership Strategy

Patient



Hospital

Physician Office

Payor

Pharmacy

Connectivity by RelayHealth



Progress Report

Subject

On Plan

Accelerated Progress

Outstanding Results

Business Progress

Integration Planning

Business Creation with RelayHealth

Accelerating Growth with Payors

Creating Unique Customer Value

Building a Differentiated Strategy

On Plan	Accelerated Progress	Outstanding Results
		✓
	✓	



Integration Planning

Rating: **Accelerated Progress**

Comments:

- Per-Se integration on track or ahead of plan
- Building core competency to acquire and integrate

Integration Planning

MPT Core Capabilities

Hospital

**Health Systems - Horizon
Community - Paragon**

Ambulatory

Horizon Ambulatory Care

Imaging

**Radiology/PACs
Cardiology, other “ologies”**

Automation

**Pharmacy Automation
Nursing Automation
RFID**

Integration Planning

Expanded MPT Capabilities

Hospital



Health Systems - Horizon
Community - Paragon
Surgery Management
Capacity Planning

Ambulatory



Horizon Ambulatory Care
Revenue Cycle Outsourcing
Independent Physician Solution

Integration Planning – Hospital Surgery Management

#1 Position



- 31% share, 1,000+ customers
- Leading provider of anesthesia management

Workforce Synergies



- 100% workforce retained
- Operational teams merged

Customer Successes



- 100% of customers retained, key customer migrated
- Track planned at 2007 user conference

Cross-Product Synergies



- Migrate 100+ legacy customers
- Penetrate ORSOS base with anesthesia and analytics and benchmark service

Integration Planning – Hospital Capacity Planning

#1 Position



- 1,200+ Customers
- No. 1 in KLAS for staff scheduling
- New Time and Attendance solution

Workforce Synergies



- 100% workforce retained
- MCK sales reps trained on ANSOS/One staff

Customer Successes



- First Time and Attendance win in May
- 100% customers retained, sales funnel building

Cross-Product Synergies



- Payroll integrated to Time and Attendance and ANSOS/One Staff
- Sales synergies leveraging integration with Horizon Clinicals

Integration Planning – Ambulatory Independent Physician Solution

Position



- Reach to 20% of physician segment
- 350+ VARs reach 100K+ physicians
- #1 in medical supplies

Workforce Synergies



- Local office consolidation
- Functional integration ahead of plan

Customer Successes



- First med-surg joint sale
- More than 300 med-surg leads
- First Paragon joint sale, Memorial Hospital (Freemont, OH)

Cross-Product Synergies



- National sales launch, regional med-surg training ongoing
- Practice Partner launch through VAR channel – training under way

Integration Planning – Ambulatory Revenue Cycle Outsourcing

#1 Position



- No. 1 in all hospital-affiliated specialties, academic practices & hospital employed
- Outsourcing Excellence Award

Workforce Synergies



- Offshore plan on schedule
- Local site consolidation

Customer Successes



- Sales of office-based model represent 50+ MDs, additional funnel of >\$15M to date
- Growing office-based RCO funnel

Cross-Product Synergies



- Cross-sell into existing RCO customers – PACS, Lab, Practice Plus, etc.
- Win w/Oregon Anesthesia Group, uses Practice Partner for pain center

A Class of Its Own



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			✓
		✓	
			✓



Business Creation - RelayHealth

Rating: **Outstanding Results**

Comments

- Significant market opportunity
- Combined assets will **connect** patients, physicians, hospitals, pharmacies, payors and financial institutions
- Unique value proposition to drive collaborative care

RelayHealth

Connectivity Assets

Pharmacy Solutions

NDCHEALTH

- Real-time retail pharmacy claim network
- Value-added pre- and post-edits on claims
- Prescription medication/patient safety
- Data services
- ePrescribing connection to retail pharmacies
- PHS real-time claims processing technology
- Electronic coupons and patient assistance

Consumer Solutions

RelayHealth

- Reimbursable, online webVisit
- Lab and diagnostic test results
- Contact center solution, including disease management and nurse triage
- Patient education content
- Personal health records
- ePrescribing

Provider Solutions

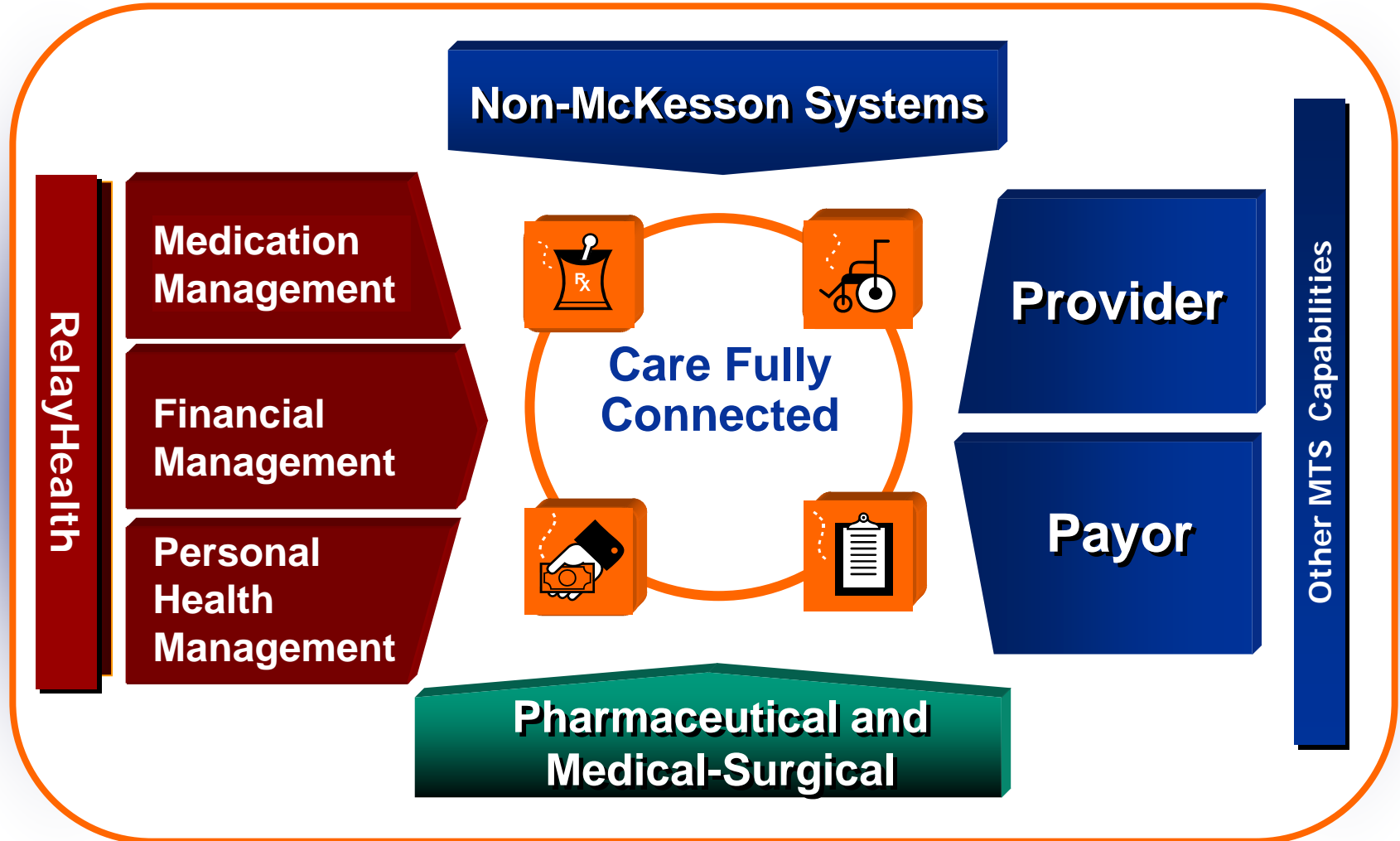
MCKESSON
Empowering Healthcare

- Patient financial clearance with payors and financial institutions
- Provider-to-patient billing communications
- Electronic payment
- Claims and remittance processing

Per-Sé
TECHNOLOGIES

- Workflow driven claims management system with extensive editing features
- Direct entry for Medicare claims
- Revenue cycle outsourcing
- Claims and remittance processing

RelayHealth Value Proposition



Business Creation – RelayHealth

Position



- No. 1 in pharmacy claims, No. 2 in medical claims
- \$780 billion in claims processed last year

Synergies



- Major functions integrated: sales, implementation, development, account mgt, product mgt, etc.
- Exceeding cost reduction

Customer Successes



- 110 new Patient Compass hospitals
- 37 Financial Clearance and 24 new ePremis contracts/renewals
- 171% growth in patients, 30% increase in physicians on system

Cross-Product Synergies



- Clearinghouse and print facility platforms nearly complete
- Legacy claims application users upgrade to ePREMIS under way

HOT New RelayHealth Solutions

- Integrated Consumer Management
- Healthcare Banking



Industry Issue

- Greater demands for convenience
- Higher patient deductibles, higher cost to collect
- Increased use of personal health records

Innovative Consumer Portal via RelayHealth

Patient Name	Account Number	Facility	Date of Service	Total Charges	Insurance Payments & Adjustments	Your Payments	Current Balance	Insurance Pending	Amount You Now Owe
1 Carla Shields	A000008594	AR	3/2/2006	\$3,044.83	\$0.00	\$0.00	\$3,044.83	\$2,468.83	\$576.00
2 Carla Shields	A000008594	AR	5/16/2005	\$1,953.63	\$0.00	\$0.00	\$1,953.63	\$0.00	\$1,953.63
TOTALS				\$4,998.46	\$0.00	\$0.00	\$4,998.46	\$2,468.83	\$2,529.63

Healthcare Banking – JPMorgan Chase and McKesson



Direct
relationships
with
130,000 MDs

Indirect
relationships
with 80,000 MDs

Relationships
with 2,000
hospitals



- End-to-end claim and payment processing services
- Access to >200M physicians, >2M hospitals and >60% payor segment
- Open-network (bank and information system agnostic) with a focus on regional penetration
- Single portal for financial and clinical data exchange and storage

***Provider adoption enables greater
straight-through processing***



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			✓
		✓	
			✓
		✓	



Accelerating Growth with Payors

Rating: **Accelerated Progress**

Comments:

- Differentiated value proposition – reduce hassle factor, coordinate care delivery and reimbursement
- Focus areas identified, validated and staffed

McKesson Health Solutions

Leaders with Payors

Claims Performance

- Code Auditing
- Fraud & Abuse
- Contract Mgmt
- Transparency

Medical Management

- InterQual
- Workflow (CCMS)
- Analytics (CRMS)
- Predictive Modeling

Disease Management

- Disease Mgmt
- Nurse Triage
- Informed Decision Support

- Presence in **100%** of the **top 25** commercial health plans
 - 68% have 2+ products/services
 - 24% have 3+ products/services
- ~ **4,000** InterQual customers (hospital and payor)
- ~ **250** Claims Solutions customers
- **9** Medicaid States for Disease Management

Total Interactive Care Management

Most Complete Vision

Total Interactive Care Management uses a diverse set of near to real-time information and evidence-based decision support to drive proactive care plans and interventions across the care continuum. By connecting and engaging care teams across care management disciplines and settings, we will ensure the right care for the right patient at the right time with the right incentives and reimbursement.

Total Interactive Care Management

Step-wise Approach

Step

1

Enhance current leadership position – sell market proven solutions

1. No. 1 care management vendor with payors today
2. RelayHealth consumer platform
3. Provider footprint

Step

2

Launch new offerings that integrate across current products and settings of care

1. Payor-based health record
2. Clinical criteria embedded in provider portals
3. Connectivity between care manager, provider and payor

Step

3

Provide next-generation care management capabilities

1. Data-driven workflow connecting healthcare constituents
2. Insourced & outsourced solutions
3. Full solution offering

Payor-based Health Record First Step Toward Vision

- Integrated view of patient history
- Accessible to payor, providers, care managers
- Can be used in any care setting, e.g., physician office, ED

The screenshot displays a web application interface for a patient's health record summary. The browser window title is "Patient Summary View - Microsoft Internet Explorer". The address bar shows a URL: "http://newfwwebdev02/demo.PTN001000/view_summary_P001.shtml". The application header includes the "acme HEALTH PLAN" logo and "EMERGENCY HEALTH INFORMATION". The patient's name is "JOHNSON, TIM", with a "Find Another Patient" button. Patient details include DOB: 02/12/1965, Gender: Male, Member ID: PTN001000, Phone: (415) 111-2233, and Address: 111 Geary Blvd., San Francisco, CA 94111. The date is June 7, 2006, and the user is John Smith, MD, at Memorial Hospital. A navigation bar includes tabs for PATIENT INFORMATION, SUMMARY (selected), CONDITIONS, PROCEDURES, TESTS, ENCOUNTERS, EPISODES, MEDICATIONS, and CARE MANAGEMENT. The main content area is titled "HEALTH RECORD SUMMARY" and contains several sections: "CONDITIONS" (listing conditions like ANGINA PECTORIS and their last seen dates), "PROCEDURES" (listing LEFT HEART CATHETERIZATION), "ENCOUNTERS" (listing dates, provider names, facility names, and encounter categories), "LAB AND DIAGNOSTIC TESTS" (listing lab tests and diagnostic tests), "MEDICATIONS-CLAIMS" (listing last filled dates, medication names, strengths, and sigs), and "SELF-REPORTED MEDICATIONS" (listing medication names, instructions, and compliance). The bottom of the screen shows the Windows taskbar with the "start" button and the system clock at 9:46 AM.

A Class of Its Own



Progress Report

Subject

On Plan

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		✓
	✓	
		✓
	✓	
		✓



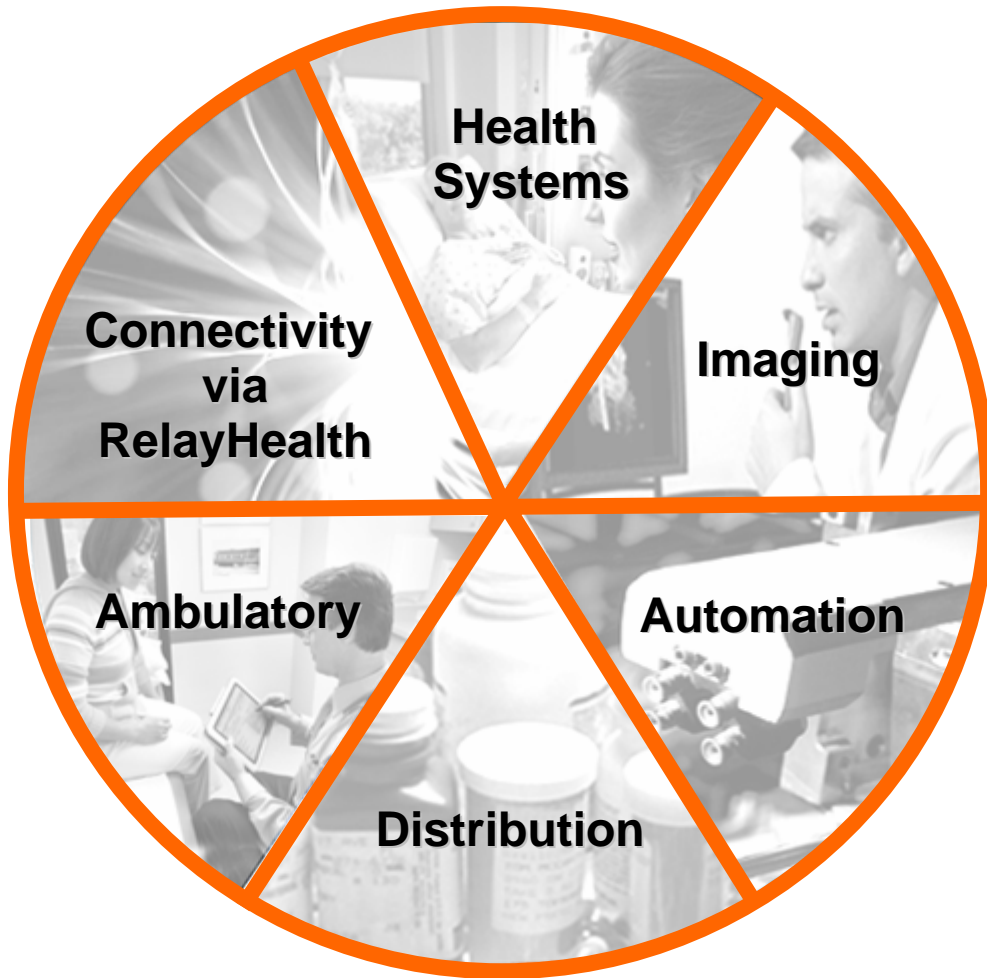
Creating Unique Customer Value

Rating: **Outstanding Results**

Comments:

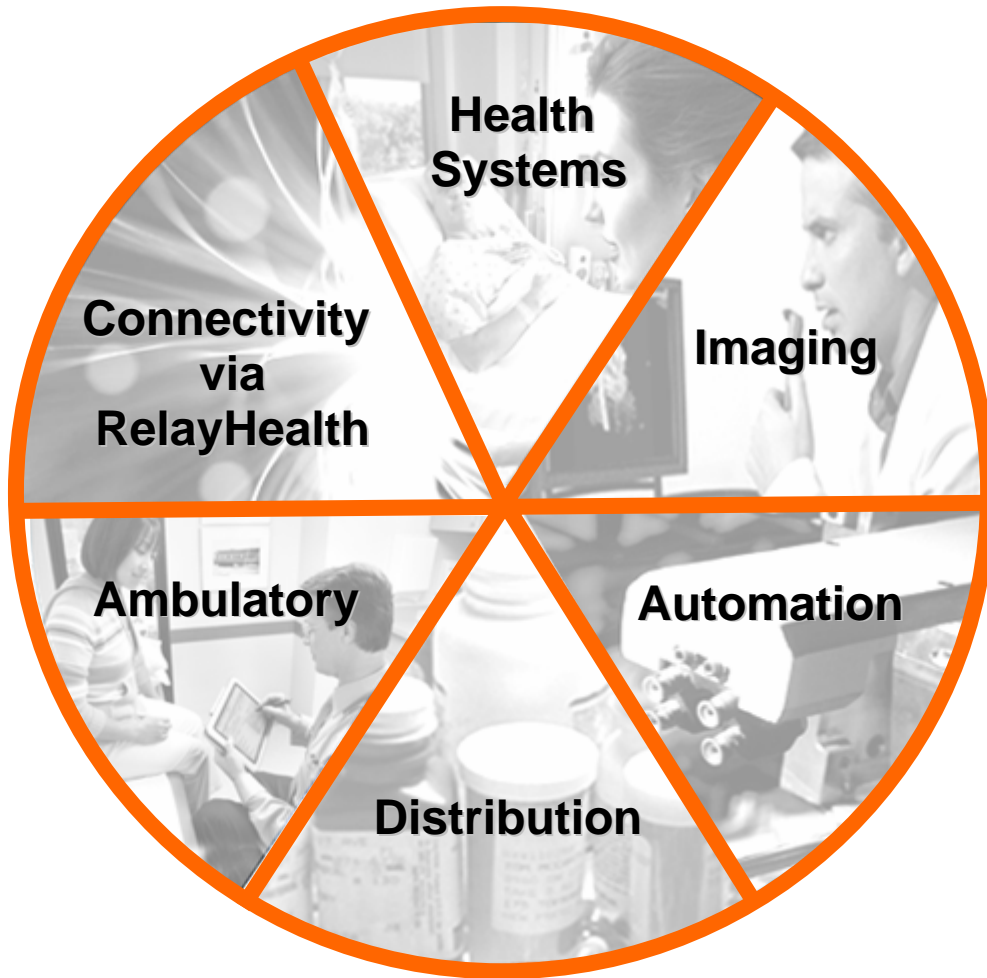
- One McKesson strategy reinforces differentiation
- Sales training in process
- Customer implementations reinforce value

One McKesson Atlantic Health



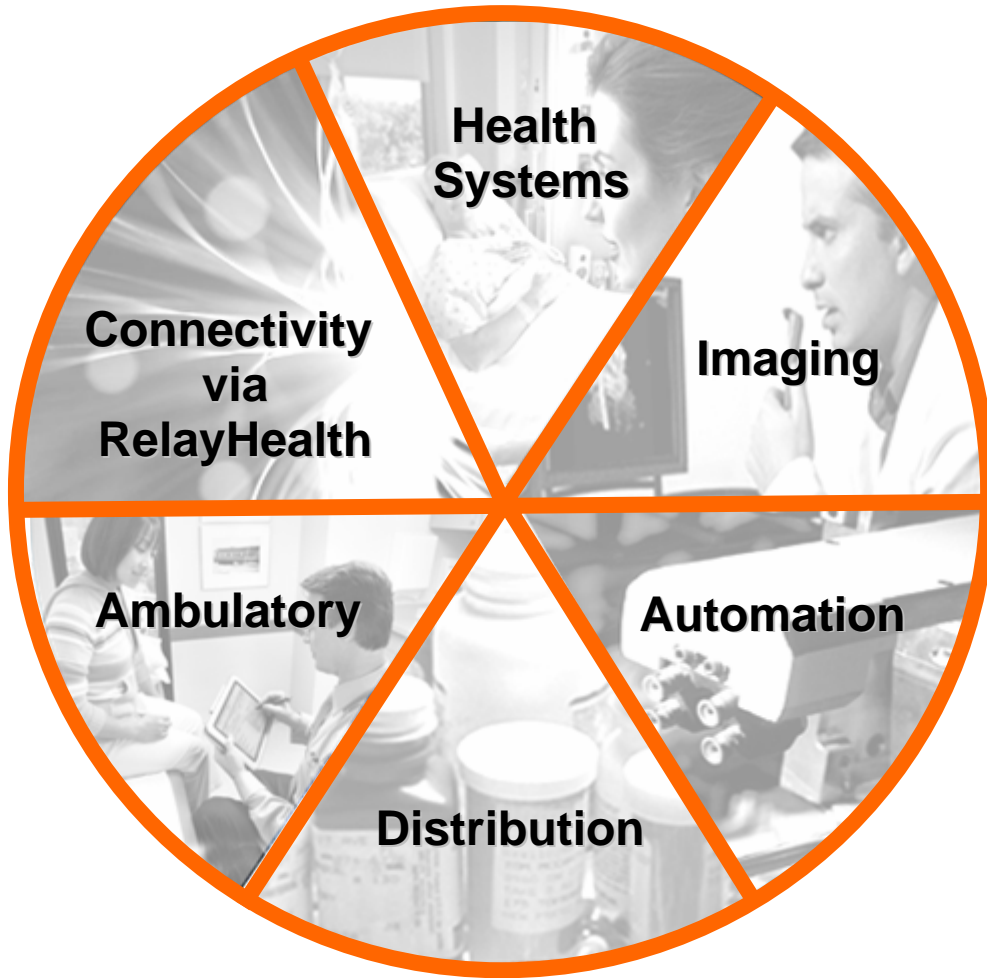
- Existing HIS and Horizon Clinicals
- Added Automation and Advanced Clinicals
- Then Horizon Ambulatory Care and Patient Compass
- Recently, RelayHealth physician -patient communication

Comanche County Memorial Hospital



- Existing practice management
- Added HIS revenue cycle and analytics
- Then automation and distribution
- Recently, Horizon Clinicals, medical and document imaging, ambulatory EHR, RelayHealth Patient Compass, IT outsourcing

Appalachian Regional Healthcare



- Existing healthcare IT and practice management customer
- Added automation, distribution and more healthcare IT- clinicals, imaging and analytics
- Recently, Horizon Ambulatory Care with practice management and RelayHealth physician - patient communication

One McKesson

Dr. Vanessa Allen



EHR Software



**Revenue Cycle
Outsourcing**



Supplies



**Connectivity
via RelayHealth**

- Existing McKesson Medical-Surgical customer
- Added Practice Partner
 - Lead generated 3/13
 - Customer demo 3/26
 - Contract signed 6/11



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			✓
		✓	
			✓
		✓	
			✓
			✓



Building a Differentiated Strategy

Rating: **Accelerated Progress**

Comments:

- McKesson investment in R&D allows sustained growth and allows customers to lead and respond
- Care process will change dramatically. McKesson is uniquely positioned to **automate, integrate and connect**

Today's Patient Experience



McKesson Technology Solutions

Tomorrow's Patient Experience



Healthcare Leadership Strategy

Patient



Hospital

Physician Office

Payor

Pharmacy

Connectivity by RelayHealth

Questions & Answers



Investor Day 2007



Equitable Auditorium, New York City
June 21, 2007

Diluted EPS Reconciliation

(\$ and shares in millions, except EPS)

	Full Year	
	FY06	FY07
Income from continuing operations - as reported	\$ 745	\$ 968
Exclude:		
Securities Litigation charge/(credit), net	45	(6)
Estimated income tax expense/(benefit)	(15)	2
Income tax reserve reversals	-	(83)
	<u>30</u>	<u>(87)</u>
Income from continuing ops, excluding Securities Litigation charge/(credit), net	\$ 775	\$ 881
Diluted earnings per common share from continuing ops, excluding Securities Litigation charge/(credit), net ^{(1) (2)}	\$ 2.46	\$ 2.89
Shares on which diluted earnings per common share were based ⁽²⁾	316	305

(1) Certain computations may reflect rounding adjustments.

(2) For the year ended March 31, 2006, interest expense, net of related income taxes, of \$1 million has been added to income from continuing ops for purposes of calculating diluted earnings per share. This adjustment reflects the impact of the Company's potentially dilutive obligations.

Investor Day 2007



Equitable Auditorium, New York City
June 21, 2007