

McKesson Corporation

Dental Program Summary of Material Modifications to the Summary Plan Description

**A Summary of Plan Changes
Effective January 1, 2005**

This Update is intended to alert you to changes in the Dental Program for Employees of McKesson Corporation, administered by CIGNA HealthCare effective January 1, 2005 and is intended to serve as a summary of material modifications as required by ERISA. Please keep this Update with your Dental Program Summary Plan Description (SPD) effective January 1, 2004 for future reference.

GENERAL PROVISIONS

Coverage During Military Leave

The description of coverage during military leave in the SPD is replaced in its entirety with the following:

If you voluntarily or involuntarily serve in the uniformed services for a period of five years or less while covered under the Dental Program, you and your covered Dependents may elect to continue dental coverage for 18 months (24 months for elections made on or after December 10, 2004) or for the period ending on the day after the date the eligible Employee fails to apply for or return to employment with McKesson Corporation as determined under § 4312(e) of the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), whichever is earlier. This period of coverage will run concurrently with Continuation Coverage.

This provision applies to:

- Employees on active duty;
- Employees on active duty for training;
- Employees on initial active duty for training and inactive duty training in the Armed Forces (including the Reserve components), the Army or Air National Guard and the commissioned corps of the Public Health Service, and to full-time National Guard duty; and
- Absences needed to determine the Employee's fitness for duty in the uniformed services.

Coverage will end if you are discharged from the uniformed services under other than honorable conditions, or if you are dismissed or dropped from the rolls under conditions that result in loss of reemployment rights under the law.

Continuation Coverage (COBRA)

The description of your Continuation Coverage (COBRA) rights in the SPD has been replaced in its entirety with the following:

CONTINUATION OF HEALTH COVERAGE (COBRA)

Continuation Coverage

A Covered Person whose Coverage would otherwise end under the Plan may be entitled to elect Continuation Coverage in accordance with federal law (under the Consolidated Omnibus Budget Reconciliation Act or “COBRA”) and as outlined in this section. The entire cost of such Continuation Coverage is payable by the Covered Person.

Continuation Coverage for Covered Persons who selected Continuation Coverage under a prior plan which was replaced by Coverage under the Dental Program shall terminate as scheduled under the prior plan or in accordance with the terminating events set forth in the **Termination Events for Continuation Coverage** section, whichever is earlier.

In no event shall CIGNA HealthCare be obligated to provide Continuation Coverage to a Covered Person if the Plan Administrator fails to perform its responsibilities under federal law. These responsibilities include but are not limited to notifying the Covered Person in a timely manner of the right to elect Continuation Coverage. To obtain Continuation Coverage, an eligible Covered Person must notify the McKesson Call Center in a timely manner of the Covered Person’s election of Continuation Coverage.

Eligibility for Continuation Coverage

In order to be eligible for Continuation Coverage, the Covered Person must meet the definition of a “Qualified Beneficiary.” A Qualified Beneficiary is any of the following persons who were covered under the Plan on the day before a Qualifying Event:

- An eligible Employee;
- An eligible Employee’s Enrolled Dependents, including with respect to the eligible Employee’s children, a child born or placed for adoption with an eligible Employee during a period of Continuation Coverage; or
- An eligible Employee’s former Spouse or Domestic Partner.

Qualifying Events for Continuation Coverage

If a Qualified Beneficiary’s Coverage will terminate upon the occurrence of any of the following Qualifying Events, he or she will be entitled to elect Continuation Coverage. The Qualified Beneficiary is entitled to elect to continue the same Coverage that he or she had on the day before the Qualifying Event.

- Termination of the eligible Employee from employment with the Company (for any reason other than gross misconduct) or reduction in hours of employment;
- Death of the eligible Employee;

- Divorce or legal separation or termination of Domestic Partnership of the eligible Employee;
or
- Loss of eligibility by an Enrolled Dependent who is a child.

Coverage may be continued for 18 months or 36 months, depending upon the Qualifying Event:

Qualifying Event	Individuals Eligible for Continuation Coverage	Coverage Period from Initial Qualifying Event
Your employment ends	Employee, Spouse or Domestic Partner, Children	18 months
Your hours are reduced (e.g., approved leave)	Employee, Spouse or Domestic Partner, Children	18 months
You divorce or become legally separated	Spouse, Children	36 months
Termination of Domestic Partner relationship	Domestic Partner, Children	36 months
Your Dependent child loses Dependent status	Child losing coverage	36 months
You die*	Spouse or Domestic Partner, Children	36 months

The actual number of months you may pay for Continuation Coverage will be reduced by the number of months, if any, that employer-paid coverage continues after the Qualifying Event.

*If you qualified for retiree dental coverage at the time of your death, your family may be eligible to elect retiree dental coverage in place of Continuation Coverage.

Extension of Continuation Coverage

Subject to the notice requirements described below, if a Qualified Beneficiary is entitled to 18 months of Continuation Coverage, Continuation Coverage may be extended if any of the events described below occurs.

Disability. Qualified Beneficiaries may obtain up to an 11-month extension of Continuation Coverage under certain circumstances for a total Continuation Coverage period of up to 29 months if a Qualified Beneficiary has been determined to have been disabled by the Social Security Administration within the first 60 days of Continuation Coverage. All other covered family members who are Qualified Beneficiaries as a result of the same Qualifying Event and who elect Continuation Coverage will also be entitled to the 11-month extension.

Extension of Continuation Coverage for Spouse or Domestic Partner and Dependent Children. In certain circumstances, an 18- or 29-month Continuation Coverage period may be extended up to 36 months. These include:

- *Second Qualifying Event.* Employee's death, divorce, legal separation, termination of Domestic Partner relationship or a covered child's termination of Dependent status. If any of these events occur during the 18- or 29-month Continuation Coverage period, the period of Continuation Coverage for the Spouse or Domestic Partner and Dependent children may be extended for up to a total of 36 months measured from the date of the original Qualifying Event. A termination of employment following a reduction in hours of employment is not a second Qualifying Event.
- *Medicare Entitlement of Employee.* If the Employee became entitled to and enrolled in Medicare (under Part A, Part B or both) within 18 months prior to the Employee's termination of employment or reduction in hours of employment, the period of Continuation Coverage for the Employee's Spouse or Domestic Partner and Dependent children is 36 months from the date of the Employee's Medicare enrollment. For example, if you became enrolled in Medicare eight months prior to the Qualifying Event, your Spouse or Domestic Partner and Dependent children would be eligible for 28 months of Continuation Coverage ($36 - 8 = 28$).

Notification Requirements

Qualifying Event

The eligible Employee or Qualified Beneficiary must notify the McKesson Call Center within 60 days of his or her divorce, legal separation, termination of Domestic Partner relationship or an Enrolled Dependent's loss of eligibility as an Enrolled Dependent. If the eligible Employee or Qualified Beneficiary fails to notify the McKesson Call Center of these events within the 60-day period, the Plan is not obligated to provide Continuation Coverage to the affected Qualified Beneficiaries. An eligible Employee who is continuing Coverage under Federal Law and who acquires a child through birth or adoption or placement for adoption during such Continuation Coverage must notify the McKesson Call Center within 60 days of the birth or adoption of the child to obtain Continuation Coverage for the child. The notice must include the following:

- Name of the individual experiencing the Qualifying Event (the Qualified Beneficiary);
- Name of the Employee and Social Security Number;
- Date of the Qualifying Event;
- Type of Qualifying Event; and
- Address of the Qualified Beneficiary.

If the eligible Employee dies while covered under Continuation Coverage, the eligible Employee's Dependent must notify the McKesson Call Center of this second Qualifying Event.

If the McKesson Call Center receives timely notice from the eligible Employee or the eligible Employee's Dependent, the McKesson Call Center will provide a COBRA election notice within 14 days of its receipt of the notice. If the McKesson Call Center does not receive timely notice, the right to Continuation Coverage or the right to extended Continuation Coverage if the event was a second Qualifying Event will be lost.

If the eligible Employee is terminated from employment or had a reduction in hours of employment, the Company will notify the McKesson Call Center of this Qualifying Event. If the eligible Employee dies while employed with the Company, the Company will notify the McKesson Call Center of this Qualifying Event. The McKesson Call Center will provide a COBRA election notice within 44 days of the Qualifying Event.

Disability

To be entitled to the 29-month Continuation Coverage period as a result of disability, the Qualified Beneficiary or a covered family member who elects Continuation Coverage must notify the Plan Administrator of the entitlement to Social Security Disability Benefits before the end of the initial 18-month Continuation Coverage period and within 60 days of the Social Security Administration's determination of the Qualified Beneficiary's disabled status. The notification must include a copy of the Social Security award determination. If such notice is provided, the Qualified Beneficiary's Coverage may be extended up to a maximum of 29 months from the date of the Qualifying Event or until the first of the month that begins more than 30 days after the date of any final determination by the Social Security Administration that the Qualified Beneficiary is no longer disabled.

If the McKesson Call Center does not receive timely notice of the need for a disability extension, the right to the disability extension will be lost.

Each Qualified Beneficiary must provide notice of any final determination that the Qualified Beneficiary is no longer disabled within 30 days of such determination by the Social Security Administration.

Medicare Enrollment

To qualify for the Medicare extension, notice of the eligible Employee's enrollment in Medicare (Part A, Part B or both) must be provided within 60 days of the Qualifying Event. The eligible Employee will be required to provide a copy of his or her Medicare card to the McKesson Call Center.

If, after electing Continuation Coverage a Qualified Beneficiary becomes enrolled in Medicare Part A or Part B, the Qualified Beneficiary must notify the McKesson Call Center of the enrollment within 30 days of the enrollment. The Qualified Beneficiary will be required to provide a copy of his or her Medicare card to the McKesson Call Center.

Notice to the McKesson Call Center

All notices required that relate to Continuation Coverage must be provided to the McKesson Call Center at the following address:

McKesson Call Center
2601 Research Forest Drive
The Woodlands, TX 77381

Notice of Unavailability of Continuation Coverage

If, after receiving a notice relating to a Qualifying Event, second Qualifying Event or a determination of Disability by the Social Security Administration, the McKesson Call Center determines that the individual who provided the notice is not entitled to Continuation Coverage or extended Continuation Coverage, the McKesson Call Center will provide the individual with a notice explaining the reasons why Continuation Coverage is not available.

Termination Events for Continuation Coverage

Continuation Coverage under the Plan will end on the earliest of the following dates:

- At the end of the applicable maximum Continuation Coverage period (18, 29 or 36 months).
- The date Coverage terminates under the Plan for failure to make timely payment of the required contribution amounts (such payments, other than the initial payment, are required to be made no later than 30 days after the payment's due date).
- The date, after electing Continuation Coverage, that coverage is obtained under any other group health plan. If such coverage contains a limitation or exclusion with respect to any preexisting condition of the Qualified Beneficiary, Continuation Coverage shall end on the date such limitation or exclusion ends. The other group health coverage shall be primary for all health services except those health services, which are subject to the preexisting condition limitation or exclusion.
- The date, after electing Continuation Coverage, that the Qualified Beneficiary becomes entitled to Medicare (and actually enrolls in Medicare).
- The date the Employer ceases to provide any group health plan to any of its employees.
- The date Coverage would otherwise terminate under the Plan.

If Continuation Coverage ends prior to the 18-, 29- or 36-month Continuation Coverage period, the McKesson Call Center will provide a notice to the affected individuals as soon as practicable following the McKesson Call Center's determination of the early termination of Continuation Coverage. The notice will explain the reason for the early termination, the date of the termination, and the availability of alternative group individual coverage, if any.

Paying for Continuation Coverage

You must pay for Continuation Coverage. Continuation Coverage premiums cannot exceed 102% of the applicable premium for similarly situated individuals who have not had a Qualifying Event. Such premium may be increased to 150% of the applicable premium if Continuation Coverage is extended as a result of disability (see explanation above).

The first payment covers the cost of Continuation Coverage retroactive to the date your employer-paid coverage ended. You are responsible for ensuring that the amount of your first payment is enough to cover this entire period. You may contact the McKesson Call Center to confirm the correct amount of your first payment. The initial premium payment must be made within 45 days of the election of Continuation Coverage. All subsequent payments must be made within 30 days of the due date. If any of your Continuation Coverage payments are late, you will lose your Continuation Coverage rights.

If the Qualifying Event is the eligible Employee's death, the Company will pay the full cost of Continuation Coverage for your Spouse or Domestic Partner and eligible Dependent children for the number of months equal to your years of active service – up to a maximum of 24 months. The Company payment for a Dependent child will end earlier if the child no longer qualifies as an eligible Dependent under the Plan. Your family pays the full cost for the balance of the period of Continuation Coverage.

Continuation Coverage Payment Shortfalls

If you or your Dependent remits a timely monthly contribution to the Plan Administrator that is significantly less than the actual Continuation Coverage payment due for the month, your or your Dependent's Continuation Coverage will be terminated immediately. If you or your Dependent remits a payment that is not significantly less than the actual Continuation Coverage payment due for the month, the payment will be deemed to satisfy the Plan's requirement for the amount that must be paid, unless the Plan Administrator notifies you or your Dependent of the amount of the deficiency and permits you or your Dependent to pay the deficiency within 30 days of the date of the notice of deficiency. You or your Dependent are responsible for paying all deficiencies.

Electing Continuation Coverage

Continuation Coverage must be elected within 60 days after the Qualified Beneficiary receives notice of the continuation right from the Plan Administrator. If you fail to timely elect Continuation Coverage, you will permanently lose your right to Continuation Coverage. To elect Continuation Coverage, the Qualified Beneficiary must follow the procedures described in the COBRA election form. A Qualified Beneficiary who has not elected Continuation Coverage may change his or her prior rejection of Continuation Coverage anytime within the 60-day election period by following the procedures described in the COBRA election form.

Each Qualified Beneficiary may elect Continuation Coverage independently. If the Employee declines to cover his or her Dependent children, the Dependents' parent (the Employee's Spouse or Domestic Partner or other parent or legal guardian) may elect Continuation Coverage for them. If the Employee and Spouse or Domestic Partner decline to cover a Dependent child, that

child has an independent right to elect Continuation Coverage for him/herself. Furthermore, a child who is born to the Employee or placed for adoption with the Employee during a period of Continuation Coverage may be considered a Qualified Beneficiary provided that the McKesson Call Center is notified within 30 days of birth or placement for adoption. The Employee or his or her Spouse or Domestic Partner may elect Continuation Coverage on behalf of all eligible individuals.

Carefully Consider Your Election of Continuation Coverage

In considering whether to elect Continuation Coverage, you should take into account that a failure to continue your group health coverage will affect your future rights under federal law. First, you can lose the right to avoid having preexisting condition exclusions applied to you by other group health plans if you have more than a 63-day gap in health coverage. Second, you will lose the guaranteed right to purchase individual health insurance policies that do not impose such preexisting condition exclusions if you do not elect Continuation Coverage for the maximum time available to you. This guaranteed right will only be preserved if you elect Continuation Coverage. Finally, you should take into account that you have special enrollment rights under federal law. You have the right to request special enrollment in another group health plan for which you are otherwise eligible (such as a plan sponsored by your Spouse's or Domestic Partner's employer) within 30 days after your group health coverage ends because of the Qualifying Event giving rise to your right to elect Continuation Coverage. You will also have the same special enrollment right at the end of the maximum Continuation Coverage period available to you.

Special COBRA Rights for Trade Displaced Employees

If you lost coverage under the Plan because your employer shut down its plant because of a shift of production to another country or because of an increase in imports, you may be eligible for a tax credit for your Continuation Coverage payments, provided you qualify for trade adjustment assistance or alternative trade adjustment assistance from the federal government and your state government. The Trade Act of 2002 created a new tax credit for certain individuals who become eligible for trade adjustment assistance ("eligible individuals"). Under the new tax provisions, eligible individuals can take a tax credit on their tax returns of 65% of premiums paid for qualified health insurance, including Continuation Coverage. Advance payments of the tax credit may also be available.

If you become eligible to receive trade adjustment assistance within six months of losing Plan medical coverage and did not elect Continuation Coverage when you were initially eligible, you may also be entitled to a second COBRA election period. To obtain this second COBRA election period, you must provide a copy of the certificate issued to you by your state workforce agency entitling you to federal trade adjustment assistance to the McKesson Call Center. The McKesson Call Center will provide you with a COBRA election notice. Your election to continue coverage must be made during the 60-day period that begins on the first day you become eligible for trade adjustment assistance, but no later than six months after you lost Plan medical coverage. If you elect COBRA during this period, COBRA will commence on the first day of the second election period. Your COBRA period, however, will be measured from the date you lost Plan coverage. The second election period does not extend the COBRA period available to you.

If you have questions about these new tax provisions, you may call the Health Care Tax Credit Customer Contact Center toll-free at 1-866-628-4282. TTD/TTY callers may call toll-free at 1-866-626-4282. More information about the Trade Act is also available at www.doleta.gov/tradeact.

Keep the Plan Informed of Address Changes

To protect your and your family's rights, you must keep the McKesson Call Center informed of any changes in your address and the addresses of covered family members. You should also keep a copy, for your records, of any notices you send to the McKesson Call Center.

For More Information

If you have any questions concerning your rights to Continuation Coverage under COBRA, call the McKesson Call Center at 1-866-772-6601 or write to:

McKesson Call Center
2601 Research Forest Drive
The Woodlands, TX 77381

ADDITIONAL PLAN INFORMATION

Source of Contributions

This section in the SPD is replaced in its entirety with the following:

The Plan is funded by Employee and Company contributions, which are deposited into a trust operated for the sole benefit of plan participants. The employee rate of contribution is set by the Company and may be adjusted from time to time. Employee contributions are taken before taxes and will be deducted as soon as administratively possible. The balance of the cost of the Plan is paid by the Company.

McKesson Corporation reserves the right at any time and for any reason or no reason at all, to change, amend, interpret, modify, withdraw or add benefits or terminate the Plan, the Dental Program or the SPD, in whole or in part and in its sole discretion, without prior notice to or approval by Plan participants and their beneficiaries.

In the event of any discrepancy between the plan documents and this document, the plan documents will prevail.