
Coronavirus Update: March 11, 2020

Dear Valued Customer,

We take our role in healthcare and our response to the recent outbreak of COVID-19 (coronavirus) seriously. In an effort to communicate regularly with you, we want to share the latest on where we are.

Our goal is to preserve the supply of critical personal protective equipment (PPE) for healthcare providers for as long as we can.

We shared previously that we have experienced a surge in global demand for PPE. We continue to experience this surge along with the issue of resupply from our global partners, namely those in China. While we know that some of these partners have restarted their production and shipping, we know it will still take months to receive their direct output toward our resupply orders. Additionally, communities across the country are enacting their pandemic preparedness plans that has put a strain on the supply for some other products beyond PPE such as IV solutions. As a result, many manufacturers have had to place limits on the products distributors like McKesson can access. We believe that this dynamic is affecting many firms in our industry, although each firm may be affected relatively more or less depending on their customer mix and how much supply they receive from China-based partners.

Given the surge in demand and our relative inability to receive resupply, we have begun to stock out of select PPE items. This outlook could change for the better if the situation in China changes very soon. We do have some sources of product within the U.S. and in other foreign countries. We are doing all we can to procure product from those sources, as well as working to identify new sources. Unfortunately, most other firms, including those representing Chinese demand, are doing the same. Additionally, for items beyond PPE, we are working closely with manufacturers to increase production. With this in mind, we made some difficult decisions to help manage our demand to and support healthcare providers:

- We have stopped selling PPE items in short supply to resellers and consumer websites.
- We have stopped taking orders for PPE items from new customers.
- We are also allocating the supply of select items to existing customers.

The pace of events has made timely communication about your respective allocation levels or canceled orders extremely difficult—and for that, we apologize. We are working hard to improve our ability to provide you with timely visibility to the status of your orders. For example, the product pages and search results on McKesson SupplyManagerSM now display which items in the catalog are on allocation. Other improvements like this are on the way.

Collectively, these are imperfect actions to be sure. There are many cases to be made why we should supply more or less product to some providers and not others. It is also difficult to operationalize varying allocation methodologies. We encourage you to discuss this situation with your management and care teams and plan wisely for the coming weeks and months.

Please know that we will continue to do everything we can to stabilize our supply chain and inventories as quickly as possible. We will continue to communicate often and openly with you. Thank you again for your partnership, trust and patience. And, during the best of times and the hardest of times – thank you for taking care of our communities.

Sincerely,

Stanton McComb
President, McKesson Medical-Surgical