

## *Case Prospectus* Trigon Healthcare, Inc



[www.trigon.com](http://www.trigon.com)

**Background:** Trigon, one of the largest and most successful members of the Blue Cross Blue Shield national franchise, is a managed health-care organization (HMO) based in Richmond, Virginia. From its founding in 1935 until the 1990s, Trigon operated strictly within the state of Virginia where its market leadership had been largely uncontested. However, in the early 1990s, the health-care industry began a period of rapid transition and consolidation. In response to these changes and also to a perceived “acquire or be acquired threat,” Trigon went public. In turn, Trigon raised capital for regional expansion, which seemed necessary to compete in an environment increasingly dominated by large national companies. Such a regional growth strategy would allow the organization to leverage its customer base, its Blue Cross brand name, and its extensive experience and recognition in the Southeast. As a step toward implementing this strategy, Trigon first completed a small acquisition in North Carolina in 1996 that not only gave them a toehold in a neighboring state but also provided acquisition experience. At the time of this case, Trigon was targeting its sister “Blue” in Georgia (Cerulean) which, successful or not, could have a significant impact on Trigon’s ability to remain competitive in this dynamic industry environment.

**Case learning objectives:** Students completing this case will:

- Apply concepts of strategic-systems analysis to a managed health-care company as they relate to its ability to compete in this dynamic industry environment.
- Evaluate the viability of a regional growth strategy within the managed health-care industry.
- Evaluate how well the acquisition processes established by the client support its acquisition objectives.
- Explore the audit implications of Trigon’s regional growth-by-acquisition strategy by:
  - assessing management’s performance in identifying business risks that could threaten the regional growth strategy
  - assessing how well the company’s control environment addresses these identified risks
  - analyzing performance indicators for monitoring significant business risks associated with company strategy
  - evaluating the financial-statement implications of business risk assessments, including assessments of the client’s strategic viability.

**Level of use:** The case consists of four parts that can be covered in one- or two-class periods, depending on the class objectives and the respective questions assigned. The case can be used in undergraduate and graduate auditing courses, and it can be used in undergraduate, graduate, or executive strategy courses or as part of public-health curricula. For auditing students, the case assumes a working knowledge of strategic-systems auditing.

**Time to complete:** For best results, students will need approximately one week for advance preparation and class discussion should be conducted over sequential class meetings.

Note: As background, auditing students should be encouraged (required) to read *Auditing Organizations Through a Strategic-Systems Lens* by Bell et. al.