

Anthem<sup>®</sup>

ANTHEM



## Analysis of Anthem's Business Strategy

TEAM D:

Ambar Peretz

Darlene Rosa

Junjie Zeng

Runqi Zheng

Zhang Li

# Mission Statement

“Improving Lives and Communities.  
Simplifying Healthcare.  
Expecting More”

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# Vision Statement

“To be the most innovative, valuable and inclusive partner.”

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# About Anthem and its Products & Services

- Anthem is a provider of health insurance in the United States.
- Anthem serves more than 117 million people, including more than 45 million through its family health plans.

Anthem is offering their clients life's products for employee benefit plans including:

- group term life
- accidental death and dismemberment (AD&D)
- dependent life and supplemental life

The employer selects the coverage and benefit amounts and pays all or part of the premium.

# Business Level-Strategy

The strategy of Anthem lies in creating the best healthcare values in the industry. Specialty and health plans of Anthem have created various HMOs, PPOs, hybrid and professional products, dental products, and health planning services to combine attributes considered attractive by consumers with some effective technologies of cost control. The vision of Anthem lies in becoming the most valuable, inclusive, and innovative partner.

# Business Strategy: Horizontal Integration

- Mergers and Acquisitions

- Ability to enter new markets
- Increased differentiation
- Reduces competition
- Increases market power
  - In 2018, Anthem acquired Aspire Health
    - Ventures into the business of providing advanced medical care
  - In 2020, Anthem acquired Beacon Health Options
    - Build a stronger portfolio of specialized services and products

*Aspire*  
Health



# Business Strategy: Horizontal Integration Cont.

- Strategic Alliances
  - Access to more resources such as technology
    - In 2015, Anthem partnered with Castlight Health, a top health navigation platform
      - Enhances consumer digital experience with Castlight's app
      - Offers comparison tools that shows metrics of price and quality offered by healthcare providers
      - Increase in benefits satisfaction for consumers
      - Increase in healthcare quality



# Business Strategy: Vertical Integration

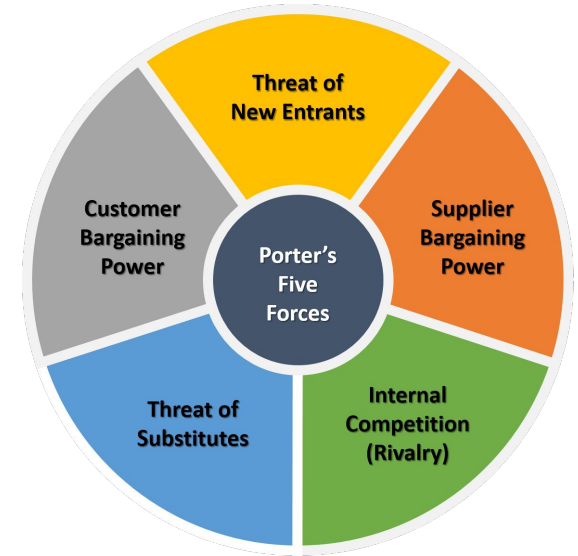
- Pharmacy Benefits Managers (PBMs)
  - Since 2009, Anthem has worked with PBM Express Scripts
  - Litigation between Anthem and Express Scripts over alleged overcharging
  - In 2017, Anthem announced that they will partner with CVS Health to launch a new PBM called IngenioRx
  - Terminated their contract with Express Scripts in March 2019, Anthem began fully transitioning its members into IngenioRx
    - Works with Drug Manufacturers, Wholesalers, and Pharmacies
    - Secure prescription drugs for the best possible costs
    - IngenioRx enhances the quality of service offered to clients through its mobile app





# Anthem's Performance: Porter's Five Forces

- |  |          |
|--|----------|
| 1. Competition in the Industry:                | HIGH     |
| 2. Threat of New Entrants:                     | MODERATE |
| 3. Bargaining Power of Suppliers:              | MODERATE |
| 4. Bargaining Power of Customers:              | HIGH     |
| 5. Threat of Substitute Products and Services: | HIGH     |



# Company Culture & Corporate Governance

## Corporate values:

- Trustworthiness
- Accountability
- Ethical behavior
- Integrity

## Strong measures in place with:

- Financial integrity
- Operational control
- Independent directors
- Employee code of conduct



# Anthem's Recent Financial Performance

1. When Anthem enters a new market environment, it will first face the cost of newcomers and outsiders.
2. Anthem needs to spend expensive external costs.
3. It will increase the additional organizational management cost and increase the difficulty for the management to supervise the management.



# Research and development investment will influence performance

Benefits of research and development:

1. improve their production processes
2. obtain new production technologies
3. reduce their production costs
4. optimize their resource allocation
5. help enterprises absorb and learn foreign technologies

Negative aspects of research and development:

reduces enterprise performance (needs to invest a lot of capital in a long cycle, and the invested funds can not get economic returns in the short term, )



# Marketing investment

Anthem's marketing investment has a positive regulatory effect on the relationship between internationalization strategy and enterprise performance.

1. effectively capture market information in the international market
2. make its products more meet the needs of customers



**Operating Cash Flow**  
(in billions)



**Funding Arrangement**



Self-funded 25,296  
Fully insured 17,296

**Customer Type**



Local group 15,614  
Medicaid 8,852  
National account 7,736  
BlueCard® 6,059  
Medicare 2,361  
FEHB 1,623  
Individual 680

**Total Revenue**  
(in billions)



**Total Medical Membership**  
(in millions)



**Net Income Per Diluted Share**  
(in whole dollars)



## Financial Information

- During 2018 Anthem's total revenue was at \$92.1 billion, and in 2019 it increased to 104.2 billion, in 2020 it rose dramatically to \$121.9 billion.
- Its operating cash flow has grown exponential from \$3.8 billion in 2018 to \$10.7 billion in 2020.
- Majority of Anthem's customers are local groups, medicaid, national account, and blue card.

# Problems

- One problem that Anthem has is high rivalry against competitors.
- Another problem is that covid 19 greatly affected Anthem's operations and how they approach and service their customers.
- Bargaining power of suppliers is also a potential problem for Anthem to resolve



# Solutions

- A solution to high rivalry against competitors is creating sustainable differentiation, or collaborating with competitors.
- Although Covid-19 has greatly affect how Anthem performs their services, it has enhanced Anthem's digital platform.
- One way Anthem can solve bargaining power of supplier is by building a supply chain with multiple suppliers.





Thank you