



AHIP

Exam Questions AHM-510

Governance and Regulation

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NEW QUESTION 1

The Surrey Medical Supply Company was formed as a limited partnership. In this partnership, Victoria Lewin is one of the limited partners and Oscar Gould is a general partner. This information indicates that, with respect to the typical characteristics of limited partnerships,

- A. M
- B. Lewin has more freedom to opt out of the partnership than does M
- C. Gould
- D. M
- E. Lewin has more liability for the debts of Surrey than does M
- F. Gould
- G. both M
- H. Lewin and M
- I. Gould participate in the day-to-day management of Surrey
- J. the partnership will continue upon the death of M
- K. Gould, whereas it will end with the death of M
- L. Lewin

Answer: A

NEW QUESTION 2

The Tidewater Life and Health Insurance Company is owned by its policy owners, who are entitled to certain rights as owners of the company, and it issues both participating and nonparticipating insurance policies. Tidewater is considering converting to the type of company that is owned by individuals who purchase shares of the company's stock. Tidewater is incorporated under the laws of Illinois, but it conducts business in the Canadian provinces of Ontario and Manitoba. With regard to the state in which Tidewater is domiciled, it is correct to say that, from the perspective of both Ontario and Manitoba, Tidewater is considered to be the type of corporation known as:

- A. A foreign corporation
- B. An alien corporation
- C. A sister corporation
- D. A domestic corporation

Answer: B

NEW QUESTION 3

The Tidewater Life and Health Insurance Company is owned by its policy owners, who are entitled to certain rights as owners of the company, and it issues both participating and nonparticipating insurance policies. Tidewater is considering converting to the type of company that is owned by individuals who purchase shares of the company's stock. Tidewater is incorporated under the laws of Illinois, but it conducts business in the Canadian provinces of Ontario and Manitoba. Tidewater established the Diversified Corporation, which then acquired various subsidiary firms that produce unrelated products and services. Tidewater remains an independent corporation and continues to own Diversified and the subsidiaries. In order to create and maintain a common vision and goals among the subsidiaries, the management of Diversified makes decisions about strategic planning and budgeting for each of the businesses. Tidewater's participating policy owners have the right to

- A. Elect the board of directors on the basis of one vote per policy owner
- B. Elect the board of directors on the basis of one vote for each policy a person owns
- C. Participate in developing a corporate mission statement and strategic plans
- D. Receive stock dividends for each policy they own

Answer: A

NEW QUESTION 4

In the paragraph below, a statement contains two pairs of terms enclosed in parentheses. Determine which term in each pair correctly completes the statement. Then select the answer choice containing the two terms that you have chosen.

One type of acquisition is called a stock purchase. In a typical stock purchase, a company acquires (51% / 100%) of the voting shares of another company's stock, thereby making the acquired company a subsidiary. The (acquired / acquiring) company holds all of the assets and liabilities of the acquired company.

- A. 51% / acquired
- B. 51% / acquiring
- C. 100% / acquired
- D. 100% / acquiring

Answer: C

NEW QUESTION 5

The Tidewater Life and Health Insurance Company is owned by its policy owners, who are entitled to certain rights as owners of the company, and it issues both participating and nonparticipating insurance policies. Tidewater is considering converting to the type of company that is owned by individuals who purchase shares of the company's stock. Tidewater is incorporated under the laws of Illinois, but it conducts business in the Canadian provinces of Ontario and Manitoba. Tidewater established the Diversified Corporation, which then acquired various subsidiary firms that produce unrelated products and services. Tidewater remains an independent corporation and continues to own Diversified and the subsidiaries. In order to create and maintain a common vision and goals among the subsidiaries, the management of Diversified makes decisions about strategic planning and budgeting for each of the businesses. By combining under Diversified a group of businesses that produce unrelated products and by consolidating the management of the businesses, Tidewater has achieved the type(s) of integration known as

- A. Conglomerate integration and operational integration
- B. Horizontal integration and operational integration
- C. Horizontal integration and virtual integration
- D. Conglomerate integration only

Answer: A

NEW QUESTION 6

The Wentworth Corporation uses a self-funded plan to provide its employees with healthcare benefits. One consequence of Wentworth's approach to providing healthcare benefits is that selffunding

- A. Requires that Wentworth self-administer its healthcare benefit plan
- B. Requires that Wentworth pay higher state premium taxes than do insurers and health plans
- C. Eliminates the need for Wentworth to pay a risk charge to an insurer or health plan
- D. Increases the number of benefit and rating mandates that apply to Wentworth's plan

Answer: C

NEW QUESTION 7

Regulators of health plans have set standards in a number of areas of plan operations. Requirements with which health plans must comply typically include

- A. providing enrollees and prospective enrollees with detailed information about various aspects of health plan policies and operations
- B. maintaining internal grievance and appeals processes to resolve enrollee complaints against the organization
- C. maintaining quality assurance programs that reflect the plan's activities in monitoring quality
- D. all of the above

Answer: D

NEW QUESTION 8

Antitrust laws can affect the formation, merger activities, or acquisition initiatives of a health plan. In the United States, the two federal agencies that have the primary responsibility for enforcing antitrust laws are the

- A. Internal Revenue Service (IRS) and the Department of Justice (DOJ)
- B. Office of Inspector General (OIG) and the Department of Defense (DOD)
- C. Federal Trade Commission (FTC) and the Department of Labor (DOL)
- D. Federal Trade Commission (FTC) and the Department of Justice (DOJ)

Answer: D

NEW QUESTION 9

Any willing provider laws have their share of proponents and opponents. Arguments commonly made in opposition to any willing provider laws include

- A. That such laws reduce the number of providers in a health plan's network
- B. That such laws limit consumer choice to coverage options that are more costly than networkbased plans
- C. That such laws encourage providers to offer discounts in exchange for patient volume
- D. All of the above

Answer: B

NEW QUESTION 10

Certificate of need (CON) laws apply to health plans in a variety of ways, depending upon the state. By definition, CON laws are laws that are designed to

- A. Regulate the construction, renovation, and acquisition of healthcare facilities as well as the purchase of major medical equipment in a geographical area
- B. Protect commerce from unlawful restraint of trade, price discrimination, price fixing, reduced competition, and monopolies
- C. Determine benefit payments when a person is covered by more than one plan, such as two group health plans
- D. License and regulate health plans that wish to establish and operate an HMO

Answer: A

NEW QUESTION 10

While traditional workers' compensation laws have restricted the use of managed care techniques, many states now allow managed workers' compensation. One common characteristic of managed workers' compensation plans is that they

- A. Discourage injured employees from returning to work until they are able to assume all the duties of their jobs
- B. Use low copayments to encourage employees to choose preferred providers
- C. Cover an employee's medical costs, but they do not provide coverage for lost wages
- D. Rely on total disability management to control indemnity benefits

Answer: D

NEW QUESTION 11

Greenpath Health Services, Inc., an HMO, recently terminated some providers from its network in response to the changing enrollment and geographic needs of the plan. A provision in Greenpath's contracts with its healthcare providers states that Greenpath can terminate the contract at any

time, without providing any reason for the termination, by giving the other party a specified period of notice.

The state in which Greenpath operates has an HMO statute that is patterned on the NAIC HMO Model Act, which requires Greenpath to notify enrollees of any material change in its provider network. As required by the HMO Model Act, the state insurance department is conducting an examination of Greenpath's operations. The scope of the on-site examination covers all aspects of Greenpath's market conduct operations, including its compliance with regulatory requirements. From the following answer choices, select the response that identifies the type of market conduct examination that is being performed on Greenpath and the frequency with which the HMO Model Act requires state insurance departments to conduct an examination of an HMO's operations.

- A. Type of examination: comprehensive; Required frequency: annually
- B. Type of examination: comprehensive; Required frequency: at least every three years
- C. Type of examination: target; Required frequency: annually
- D. Type of examination: target; Required frequency: at least every three years

Answer: B

NEW QUESTION 13

The following statements are about market conduct examinations of health plans. Select the answer choice that contains the correct statement.

- A. Multistate examinations are not appropriate for financial examinations, because regulatory requirements concerning a health plan's financial condition tend to vary from state to state.
- B. Market conduct examinations of a health plan's advertising and sales materials include comparing the advertising materials to the policies they advertise.
- C. Once an examination report is provided to the state insurance department, a health plan is not given an opportunity to present a formal objection to the report.
- D. In imposing sanctions on health plans, state insurance departments are required to follow federal sentencing guidelines.

Answer: B

NEW QUESTION 17

SoundCare Health Services, a health plan, recently conducted a situation analysis. One step in this analysis required SoundCare to examine its current activities, its strengths and weaknesses, and its ability to respond to potential threats and opportunities in the environment. This activity provided SoundCare with a realistic appraisal of its capabilities. One weakness that SoundCare identified during this process was that it lacked an effective program for preventing and detecting violations of law. SoundCare decided to remedy this weakness by using the 1991 Federal Sentencing Guidelines for Organizations as a model for its compliance program.

By definition, the activity that SoundCare conducted when it examined its strengths, weaknesses, and capabilities is known as

- A. An environmental analysis
- B. An internal assessment
- C. An environmental forecast
- D. A community analysis

Answer: B

NEW QUESTION 20

One provision of the Mental Health Parity Act of 1996 (MHPA) is that the MHPA prohibits group health plans from

- A. Setting a cap for a group member's lifetime medical health benefits that is higher than the cap for the member's lifetime mental health benefits
- B. Imposing limits on the number of days or visits for mental health treatment
- C. Charging deductibles for mental health benefits that are higher than the deductibles for medical benefits
- D. Imposing annual limits on the number of outpatient visits and inpatient hospital stays for mental health services

Answer: A

NEW QUESTION 22

The following situations illustrate per se violations of federal antitrust laws:

Situation A - Two groups of providers agreed among themselves that each provider will do business with health plans only on a fee-for-service basis.

Situation B - In order to avoid competing with each other, two independent, competing physician/hospital organizations (PHOs) divide the geographic areas in which they will market their services.

From the following answer choices, select the response that correctly identifies the types of per se violations illustrated by these situations.

- A. Situation A: price fixing; Situation B: horizontal division of markets
- B. Situation A: price fixing; Situation B: tying arrangement
- C. Situation A: horizontal group boycott; Situation B: horizontal division of markets
- D. Situation A: horizontal group boycott; Situation B: tying arrangement

Answer: A

NEW QUESTION 24

In 1994, the Department of Justice (DOJ) and the Federal Trade Commission (FTC) revised their 1993 healthcare-specific antitrust guidelines to include analytical principles relating to multiprovider networks. Under the new guidelines, the regulatory agencies will use the rule of reason to analyze joint pricing activities by competitors in physician or multiprovider networks only if

- A. Provider integration under the network is likely to produce significant efficiencies that benefit consumers
- B. The providers in a network share substantial financial risk
- C. The combining of providers into a joint venture enables the providers to offer a new product
- D. All of the above

Answer: A

NEW QUESTION 29

Antitrust laws can affect the formation, merger activities, or acquisition initiatives of a health plan. In the United States, the two federal agencies that have the primary responsibility for enforcing antitrust laws are the

- A. Internal Revenue Service (IRS) and the Department of Justice (DOJ)
- B. Office of Inspector General (OIG) and the Department of Defense (DOD)
- C. Federal Trade Commission (FTC) and the Department of Labor (DOL)

D. Federal Trade Commission (FTC) and the Department of Justice (DOJ)

Answer: D

NEW QUESTION 33

In the paragraph below, a statement contains two pairs of terms enclosed in parentheses. Determine which term in each pair correctly completes the statement. Then select the answer choice containing the two terms that you have chosen.

Every employee benefit plan governed by the Employee Retirement Income Security Act (ERISA) must distribute a summary plan description (SPD) to participants within (90 / 120) days after the date on which the plan is adopted or made effective. Thereafter, if the plan is amended, a new SPD must be distributed every (5 / 10) years.

- A. 90 / 5
- B. 90 / 10
- C. 120 / 5
- D. 120 / 10

Answer: C

NEW QUESTION 37

The following statements are about the Federal Employees Health Benefits Program (FEHBP), which is administered by the Office of Personnel Management (OPM). Three of the statements are true and one statement is false. Select the answer choice that contains the FALSE statement.

- A. For every plan in the FEHBP, OPM annually determines the lowest premium that is actuarially sound and then negotiates with each plan to establish that premium rate.
- B. Once a health plan has submitted its rate proposals for a contract year to the OPM, it cannot adjust its premium rate for any reason.
- C. To cover its administrative costs, OPM sets aside 1% of all FEHBP premiums.
- D. Each spring, OPM sends all plan providers its call letter, a document that specifies the kinds of benefits that must be available to plan participants and cost goals and procedural changes that the plans need to adopt.

Answer: A

NEW QUESTION 39

From the following answer choices, choose the term that best corresponds to this description. The

SureQual Group is a group of practicing physicians and other healthcare professionals paid by the federal government to review services ordered or furnished by other practitioners in the same medical fields for the purpose of determining whether medical services provided were reasonable and necessary, and to monitor the quality of care given to Medicare patients.

- A. Health insuring organization (HIO)
- B. Independent practice association (IPA)
- C. Physician practice management (PPM) company
- D. Peer review organization (PRO)

Answer: D

NEW QUESTION 41

Arthur Dace, a plan member of the Bloom health plan, tried repeatedly over an extended period to schedule an appointment with Dr. Pyle, his primary care physician (PCP). Mr. Dace informally surveyed other Bloom plan members and found that many people were experiencing similar problems getting an appointment with this particular provider. Mr. Dace threatened to take legal action against Bloom, alleging that the health plan had deliberately allowed a large number of patients to select Dr. Pyle as their PCP, thus making it difficult for patients to make appointments with Dr. Pyle.

Bloom recommended, and Mr. Dace agreed to use, an alternative dispute resolution (ADR)

method that is quicker and less expensive than litigation. Under this ADR method, both Bloom and Mr. Dace presented their evidence to a panel of medical and legal experts, who issued a decision that Bloom's utilization management practices in this case did not constitute a form of abuse. The panel's decision is legally binding on both parties.

Different types of compensation arrangements in managed care plans, from fee-for-service (FFS) arrangements to capitation arrangements, lead to different types of fraud and abuse. From the answer choices below, select the response that identifies the form of abuse in which Bloom is allegedly engaging, according to Mr. Dace's complaint, and whether this form of abuse is more likely to occur in FFS compensation arrangements or in capitation arrangements.

- A. Type of abuse underutilizationType of compensation arrangement FFS arrangement
- B. Type of abuse underutilizationType of compensation arrangement capitation arrangement
- C. Type of abuse overutilizationType of compensation arrangement FFS arrangement
- D. Type of abuse overutilizationType of compensation arrangement capitation arrangement

Answer: B

NEW QUESTION 42

Directors on a health plan's board must demonstrate their compliance with three duties in all their decisions. Directors who exercise their duties in good faith and with the same degree of diligence and skill that an ordinary, reasonable person would be expected to display in the same situation are meeting the duty known as the

- A. Duty of loyalty
- B. Duty to supervise
- C. Duty of care
- D. Trustee duty

Answer: C

NEW QUESTION 47

After conducting a business portfolio analysis, the Acorn Health Plan decided to pursue a harvest strategy with one of its strategic business units (SBUs)-Guest Behavioral Healthcare. By following a harvest strategy with Guest, Acorn most likely is seeking to

- A. Maximize Guest's short-term earnings and cash flow
- B. Increase Guest's market share
- C. Maintain Guest's market position
- D. Sacrifice immediate earnings in order to fund Guest's growth

Answer: A

NEW QUESTION 50

The following statements appear in the Twilight Health Plan's strategic plan:

Increase the percentage of preventive health interventions for total eligible membership during each of the next three calendar years for the following services: mammography, Pap smears, immunizations, and first trimester visits for prenatal mothers

Improve customer satisfaction on an annual basis for each of the next three calendar years, as measured by satisfaction surveys for members, providers, and employer groups

Increase by 30% the number of claims processed by the automated claim payment system and reduce by 10% the cost of paying claims during the next three years

These statements are examples of Twilight's

- A. Corporate objectives
- B. Company mission
- C. Company vision
- D. Corporate strategies

Answer: A

NEW QUESTION 54

In developing its corporate strategies, the Haven Health Plan decided to implement a growth strategy that is focused on increasing the percentage of preventive health office visits from its current plan members. To accomplish this objective, Haven will send a direct mail kit to existing plan members to remind them of the variety of preventive health services that Haven currently offers, including physical exams, cholesterol tests, and mammograms. This information illustrates Haven's use of

- A. An intensive growth strategy known as market penetration
- B. An integrated growth strategy known as product development
- C. An integrated growth strategy known as market development
- D. A diversified growth strategy known as market penetration

Answer: A

NEW QUESTION 59

The Westchester Health Plan is using a pricing strategy that involves setting a low price in a highly price-sensitive market to stimulate revenue growth. In following this strategy, Westchester is sacrificing short-term profits for fast growth in selected markets. This information indicates that Westchester is following the pricing strategy known as

- A. Market skimming
- B. Buying market share
- C. Price skimming
- D. Unitary pricing

Answer: B

NEW QUESTION 61

SoundCare Health Services, a health plan, recently conducted a situation analysis. One step in this analysis required SoundCare to examine its current activities, its strengths and weaknesses, and its ability to respond to potential threats and opportunities in the environment. This activity provided SoundCare with a realistic appraisal of its capabilities. One weakness that SoundCare identified during this process was that it lacked an effective program for preventing and detecting violations of law. SoundCare decided to remedy this weakness by using the 1991 Federal Sentencing Guidelines for Organizations as a model for its compliance program.

With respect to the Federal Sentencing Guidelines, actions that SoundCare should take in developing its compliance program include

- A. Creating a system through which employees and other agents can report suspected misconduct without fear of retribution
- B. Holding management accountable for the misconduct of their subordinates
- C. Assigning a high-level member of management to the position of compliance coordinator or administrator
- D. All of the above

Answer: D

NEW QUESTION 66

Brighton Health Systems, Inc., a health plan, wants to modify its advertising and marketing materials to avoid liability risk under the principle of ostensible agency. One step that Brighton can take to reduce the likelihood of being liable for provider negligence under the theory of ostensible agency is to

- A. Guarantee the quality of medical care provided to Brighton members
- B. Use advertising materials which state that Brighton itself provides healthcare
- C. Add disclaimers to advertising materials indicating that only physicians and not Brighton make medical decisions
- D. Use advertising materials to characterize Brighton's role as providing physicians, hospitals, and other healthcare professionals rather than arranging for healthcare.

Answer: C

NEW QUESTION 71

Health plans are allowed to appeal rules or regulations that affect them. Generally, the grounds for such appeals are limited either to procedural grounds or jurisdictional grounds. The Kabyle Health Plan appealed the following new regulations:

Appeal 1 - Kabyle objected to this regulation on the ground that this regulation is inconsistent with the law.

Appeal 2 - Kabyle objected to this regulation because it believed that the subject matter was outside the realm of issues that are legal for inclusion in the regulatory agency's regulations. Appeal 3 - Kabyle objected to the process by which this regulation was adopted.

Of these appeals, the ones that Kabyle appealed on jurisdictional grounds were

- A. Appeals 1, 2, and 3
- B. Appeals 1 and 2 only
- C. Appeals 1 and 3 only
- D. Appeals 2 and 3 only

Answer: B

NEW QUESTION 76

The following answer choices describe various approaches that a health plan can take to voice its opinions on legislation. Select the answer choice that best describes a health plan's use of grassroots lobbying.

- A. The Delancey Health Plan is launching a media campaign in an effort to persuade the public that proposed health care legislation will increase the cost of healthcare.
- B. The Stellar Health Plan is using direct mail and telephone calls to encourage people who support a patient rights bill to contact key legislators and voice their support for the bill.
- C. The Bestway Health Plan is encouraging its employees to contribute to a political action committee (PAC) that is funding the political campaign of a pro-health plan candidate.
- D. A representative of the Palmer Health Plan is attending a one-on-one meeting with a legislator to present Palmer's position on pending managed care legislation.

Answer: B

NEW QUESTION 77

One example of health plan's influence on the practice of medicine is that, during the past decade, the focus of healthcare has moved toward , which is designed to reduce the overall need for healthcare services by providing patients with decision-making information.

- A. Demand management
- B. Managed competition
- C. Comprehensive coverage
- D. Private inurement

Answer: A

NEW QUESTION 80

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