



# AHM-510<sup>Q&As</sup>

Governance and Regulation

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**QUESTION 1**

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

Correct Answer: A

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**QUESTION 2**

The following statements describe various state benefit mandates. Select the answer choice that describes a state law pertaining to off-label uses for drugs.

- A. State A mandates that health plans provide benefits for experimental drugs for the treatment of terminal diseases such as AIDS and cancer.
- B. State B mandates that health plans have a procedure in place to allow a patient to have a non-formulary drug covered under certain conditions.
- C. State C mandates that, in dispensing generic drugs, pharmacies must label drug containers with the name of the substituted generic medication.
- D. State D mandates that health plans provide benefits for the treatment of one form of cancer with specific drugs that had originally been approved by the Food and Drug Administration (FDA) to treat other forms of cancer.

Correct Answer: D

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**QUESTION 3**

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

Correct Answer: A

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#### QUESTION 4

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

Correct Answer: B

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#### QUESTION 5

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.



Correct Answer: C

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