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Governance and Regulation

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**QUESTION 1**

Determine whether the following statement is true or false:

Failing to adopt and implement standards for the prompt investigation and settlement of claims is an example of an activity that would be considered an improper claims practice according to the NAIC Model Unfair Claims Settlement Practices Act.

A. True

B. False

Correct Answer: A

QUESTION 2

The Balanced Budget Act (BBA) of 1997 created the Medicare+Choice plan. One provision of the BBA under Medicare+Choice is that the BBA A. Requires health plans to qualify as either a competitive medical plan (CMP) or a federally qualified HMO in order to participate in the Medicare program

B. Eliminates funding for demonstration projects such as the Medicare Enrollment Demonstration Project

C. Narrows the geographic variations in payments to Medicare health plans by lowering the growth rate of payments in high-payment counties and raising the rates in low-payment counties

D. Increases Graduate Medical Education (GME) payments to hospitals for the training and cost of educating and training residents

Correct Answer: C

QUESTION 3

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

Correct Answer: A

QUESTION 4

Congress enacted three clauses relating to the preemptive effect of the Employee Retirement Income Security Act of 1974 (ERISA). One of these clauses preserves from ERISA preemption any state law that regulates insurance, banking, or securities, with the exception of the exemption for self-funded employee benefit plans. This clause is called the

A. Savings clause

B. Preemption clause

C. Deemer clause

D. De novo clause

Correct Answer: A

Explanation: The savings clause preserves from preemption any state law that regulates insurance, banking or securities except as provided by the deemer clause.

QUESTION 5

Determine whether the following statement is true or false:

Although most-favored-nation (MFN) clauses in contracts between health plans and healthcare providers are not per se illegal, they should be reviewed under the rule of reason analysis for antitrust purposes.

A. True, because the Federal Trade Commission (FTC) ruled that MFN clauses are not per se illegal and the FTC encourages health plans to include them in provider contracts.

B. True, because although MFN clauses are not per se illegal, they violate antitrust laws if they have a predatory purpose and an anticompetitive effect.

C. False, because MFN clauses involve decisions by providers concerning the level of fees to charge, and thus they are per se illegal.

D. False, because MFN clauses are not per se illegal, and thus they are exempt from antitrust laws and regulation by the FTC.

Correct Answer: B

QUESTION 6

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 providernetwork. 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

QUESTION 7

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)

Correct Answer: D

QUESTION 8

The National Association of Insurance Commissioners (NAIC) adopted the Health Maintenance Organization Model Act (HMO Model Act) to regulate the development and operations of HMOs. One true statement regarding the HMO Model Act is that the act

- A. includes mental health services in its definition of basic healthcare services
- B. authorizes only one state agency-the department of insurance-to regulate HMOs
- C. requires HMOs to place a deposit in trust with the state insurance commissioner for the purpose of protecting the interests of enrollees should an HMO become financially impaired
- D. requires HMOs that wish to offer a point-of-service (POS) product to contract with a licensed insurance company to provide POS options to plan members

Correct Answer: C

**QUESTION 9**

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

Correct Answer: A

QUESTION 10

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

Correct Answer: A

QUESTION 11

SoundCare Health Services, an MCO, 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

Correct Answer: B

QUESTION 12

In the course of doing business, health plans conduct basic corporate transactions. For example, when a health plan engages in the corporate transaction known as aggressive sourcing, the health plan

- A. Chooses to contract with vendors who provide specific functions that would otherwise be performed in-house, such as paying claims
- B. Seeks to obtain the best deals from various vendors for equipment, supplies, and services such as telephones, overnight mail, computer hardware and software, and copy machines
- C. Merges with one or more companies to form an entirely new company
- D. Joins with one or more companies, but retains its autonomy and relies on the other companies to perform specific functions

Correct Answer: B

QUESTION 13

The Hanford Health Plan has delegated the credentialing of its providers to the Sienna Group, a credential verification organization (CVO). If the contract between Hanford and Sienna complies with all of the National Committee for Quality Assurance (NCQA) guidelines for delegation of credentialing, then this contract

- A. Transfers to Sienna all rights to terminate or suspend individual practitioners or providers in Hanford's provider network
- B. Describes the process by which Hanford evaluates Sienna's performance in credentialing providers
- C. Both A and B
- D. A only
- E. B only
- F. Neither A nor B

Correct Answer: C

QUESTION 14

Indigo Health Plan advertised a specific individual health insurance policy through a direct mail advertisement that provided detailed information about the product. In order to comply with the NAIC Model Rules Governing



Advertisements of Accident and Sickness Insurance, Indigo must disclose whether the advertised policy contains any exceptions, reductions, or limitations. Thus, Indigo disclosed in the advertisement that one policy provision limits coverage for dental exams to \$50 per exam and to one exam per calendar year. This information indicates that, with respect to the definitions in the NAIC Model Rules, Indigo's advertisement is an example of an

- A. Invitation to contract, and it discloses a policy provision known as an exception
- B. Invitation to contract, and it discloses a policy provision known as a reduction
- C. Invitation to inquire, and it discloses a policy provision known as an exception
- D. Invitation to inquire, and it discloses a policy provision known as a reduction

Correct Answer: B

QUESTION 15

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. Ms. Lewin has more freedom to opt out of the partnership than does Mr. Gould
- B. Ms. Lewin has more liability for the debts of Surrey than does Mr. Gould
- C. both Ms. Lewin and Mr. Gould participate in the day-to-day management of Surrey
- D. the partnership will continue upon the death of Mr. Gould, whereas it will end with the death of Ms. Lewin

Correct Answer: A

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