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Question 1

Question Type: MultipleChoice

Users of the Fulcrum Health Plan financial information include:

-The independent auditors who review Fulcrum's financial statements -Fulcrum's controller (comptroller) -Fulcrum's plan members -The providers that deliver healthcare services to Fulcrum plan members -Fulcrum's competitors

Of these users, the ones that most likely can correctly be classified as external users with a direct financial interest in Fulcrum are the

Options:

- A) Independent auditors, the plan members, the providers, and the
- B) Competitors only
- C) Independent auditors, the controller, and the providers only
- D) Controller and the competitors only
- E) Plan members and the providers only

Answer:

D

Question 2

Question Type: MultipleChoice

Rasheed Azari, the risk manager for the Tower health plan, is attempting to work with providers in the organization in order to reduce the providers' exposure related to utilization review. Mr. Azari is considering advising the providers to take the following actions:

- 1-Allow Tower's utilization management decisions to override a physician's independent medical judgment
- 2-Support the development of a system that can quickly render a second opinion in case of disagreement surrounding clinical judgment
- 3-Inform a patient of any issues that are being disputed relative to a physician's recommended treatment plan and Tower's coverage decision

Of these possible actions, the ones that are likely to reduce physicians' exposures related to utilization review include actions

Options:

- A)** 1, 2, and 3
- B)** 1 and 2 only
- C)** 1 and 3 only
- D)** 2 and 3 only

Answer:

D

Question 3

Question Type: MultipleChoice

In order to calculate a simple monthly capitation payment, the Argyle Health Plan used the following information:

-The average number of office visits each member makes in a year is two -The FFS rate per office visit is \$55 -The member copayment is \$5 per office visit -The reimbursement period is one month

Given this information, Argyle would correctly calculate that the per member per month (PMPM) capitation rate should be

Options:

A) \$4.17

B) \$8.33

C) \$9.17

D) \$10.00

Answer:

B

Question 4

Question Type: MultipleChoice

The provider contract that Dr. Timothy Meyer, a pediatrician, has with the Cardigan health plan states that Cardigan will compensate him under a capitation arrangement. However, the contract also includes a typical low enrollment guarantee provision. Statements that can correctly be made about this arrangement include that the low enrollment guarantee provision most likely:

Options:

- A)** Causes Dr. Meyer's capitation contract with Cardigan to transfer more risk to him than the contract otherwise would transfer
- B)** Specifies that Cardigan will pay Dr. Meyer under an arrangement other than capitation until a specified number of children covered by the plan use him as their PCP
- C)** Both A and B
- D)** A only
- E)** B only

F) Neither A nor B

Answer:

C

Question 5

Question Type: MultipleChoice

Federal law addresses the relationship between Medicare- or Medicaid contracting health plans and providers who are at 'substantial financial risk.'

Under federal law, Medicare- or Medicaid-contracting health plans

Options:

A) Place a provider at 'substantial risk' whenever incentive arrangements put the provider at risk for amounts in excess of 10% of his or her total potential reimbursement for providing services to Medicare and Medicaid enrollees **B.** Must provide stop-loss coverage to a provider who is placed at 'substantial financial risk' for services that the provider does not directly provide to Medicare or Medicaid enrollees

- C) Both A and B
- D) A only
- E) B only
- F) Neither A nor B

Answer:

C

Question 6

Question Type: MultipleChoice

The following statements illustrate the use of different rating methods by health plans:

-The Dover health plan established rates for small groups by using a rating method which requires that the average premium in each group cannot be more than 120% of the average premium for any other group. Under this method, all members of each group pay the same premium, which is based on the experience of the group.

-Under the rating method used by the Rolling Hills health plan, the health plan calculates the ratio of a group's experience to the group's historical manual rate. Rolling Hills then multiplies this ratio by the group's future manual rate. Rolling Hills cannot consider the group's experience in determining premium rates.

From the following answer choices, select the response that correctly indicates the rating methods used by Dover and Rolling Hills.

Options:

- A) Dover = modified community rating Rolling Hills = factored rating
- B) Dover = modified community rating Rolling Hills = adjusted community rating (ACR)
- C) Dover = community rating by class (CRC) Rolling Hills = factored rating
- D) Dover = community rating by class (CRC) Rolling Hills = adjusted community rating (ACR)

Answer:

D

Question 7

Question Type: MultipleChoice

The following statement(s) can correctly be made about a health plan's underwriting of small groups:

Options:

- A) Typically, a health plan medically underwrites both the employees of a small group and their dependents, even though small group reform laws prohibit health plans from singling out individuals for rejection or substandard rate-ups.
- B) In the absence of laws mandating otherwise, a health plan's underwriting standards grow stricter as group size gets smaller.
- C) Both A and B
- D) A only
- E) B only
- F) Neither A nor B

Answer:

A

Question 8

Question Type: MultipleChoice

The following statements indicate the pricing policies of two health plans that operate in a particular market:

-The Accent Health Plan consistently underprices its product -The Bolton Health Plan uses extremely strict underwriting practices for the small groups to which it markets its plan

From the following answer choices, select the response that correctly indicates the most likely market effects of the pricing policies used by Accent and Bolton.

Options:

- A) Accent = unprofitable business Bolton = high acquisition rate
- B) Accent = unprofitable business Bolton = low acquisition rate
- C) Accent = high profits Bolton = high acquisition rate
- D) Accent = high profits Bolton = low acquisition rate

Answer:

B

Question 9

Question Type: MultipleChoice

The accounting department of the Enterprise health plan adheres to the following policies:

-Policy A---Report gains only after they actually occur -Policy B---Report losses immediately -Policy C---Record expenses only when they are certain -Policy D---Record revenues only when they are certain

Of these Enterprise policies, the ones that are consistent with the accounting principle of conservatism are Policies

Options:

- A) A, B, C, and D
- B) A, B, and D only
- C) A and B only
- D) C and D only

Answer:

B

Question 10

Question Type: MultipleChoice

The Nuevo health plan's capital structure consists of 30% debt and 70% equity. Nuevo's average after-tax cost of debt is 6% and its cost of equity is 12%. The following statement(s) can correctly be made about Nuevo's weighted average cost of capital (WACC):

Options:

- A) Nuevo has a WACC of 10.2%
- B) If Nuevo establishes its WACC as the hurdle rate for capital investments, then it can expect an investment to add value to the health plan only if the investment is expected to earn a return of less than Nuevo's WACC
- C) Both A and B
- D) A only
- E) B only
- F) Neither A nor B

Answer:

B

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