Free Questions for AHM-520

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Question 1

Question Type: MultipleChoice

The Longview Hospital contracted with the Carlyle Health Plan to provide inpatient services to Carlyle's enrolled members. Carlyle provides Longview with a type of stop-loss coverage that protects, on a claims incurred and paid basis, against losses arising from significantly higher than anticipated utilization rates among Carlyle's covered population. The stop-loss coverage specifies an attachment point of 130% of Longview's projected $2,000,000 costs of treating Carlyle plan members and requires Longview to pay 15% of any costs above the attachment point. In a given plan year, Longview incurred covered costs totaling $3,000,000.

For the year in which Longview's incurred covered costs were $3,000,000, the amount for which Longview will be responsible is:

Options:

A- $2,000,000
B- $2,600,000
C- $2,660,000
D- $3,900,000

Answer:

C

Question 2

Question Type: MultipleChoice

The following transactions occurred at the Lane Health Plan:

Transaction 1 --- Lane recorded a $25,000 premium prior to receiving the payment

Transaction 2 --- Lane purchased $500 in office expenses on account, but did not record the expense until it received the bill a month later

Transaction 3 --- Fire destroyed one of Lane's facilities; Lane waited until the facility was rebuilt before assessing and recording the amount of loss

Transaction 4 --- Lane sold an investment on which it realized a $14,000 gain; Lane recorded the gain only after the sale was completed.

Of these transactions, the one that is consistent with the accounting principle of conservatism is:

Options:

A- Transaction 1
B- Transaction 2
C- Transaction 3
D- Transaction 4

Answer:

D

Question 3

Question Type: MultipleChoice

The Amethyst Health Plan uses a budgeting approach that requires each line of business within Amethyst's operation to justify its continued operation. Amethyst begins with the premise that no resources will be allocated for the following period unless each dollar to be spent is justified and is shown to be within departmental plans and corporate goals and objectives. The budgeting approach used by Amethyst is known as:

Options:

A- Bottom-up budgeting
B- Top-down budgeting
C- Zero-based budgeting
D- Master budgeting

Answer:

C

Question 4

Question Type: MultipleChoice

The following statements are about rate ratios used by health plans. Select the answer choice containing the correct statement:

Options:

A- While rate ratios consider family size, they are most often based on competitive factors, such as the ratios being used by competitors and the ratios that plan sponsors are requesting.
B- If the rate ratio for a couple rate category is 2.0, then the single premium is divided by 2.0 to derive the couple rate category premium.
C- A rate ratio can only be increased if the health plan has obtained regulatory approval.
D- The effect of a typical family rate ratio is that a family rate is somewhat higher than it otherwise should be, and the single rate is somewhat lower that it otherwise should be.

Answer:

A

Question 5

Question Type: MultipleChoice

The Caribou health plan is a for-profit organization. The financial statements that Caribou prepares include balance sheets, income statements, and cash flow statements. To prepare its cash flow statement, Caribou begins with the net income figure as reported on its income statement and then reconciles this amount to operating cash flows through a series of adjustments. Changes in Caribou's cash flow occur as a result of the health plan's operating activities, investing activities, and financing activities.

Caribou is engaged in an operating activity when it

Options:

A- Purchases or sells assets of the health plan
B- Disposes of a subsidiary
C- Repays funds loaned by its creditors
D- Pays expenses associated with the healthcare services provided to its members

Answer:

D

Question 6

Question Type: MultipleChoice

The following statements are about 501(c)(9) trusts. Select the answer choice containing the correct statement:

Options:

A- In the event a 501(c)(9) trust is terminated, any funds remaining in the trust revert back to the employer.
B- In order to satisfy Internal Revenue Code (IRC) requirements, membership in a 501(c)(9) trust is mandatory for all employees.
C- Contributions made by an employer to a 501(c)(9) trust are deductible for federal income tax purposes.
D- Typically, a 501(c)(9) trust is controlled solely by the employer that established the trust.

Answer:

C

Question 7

Question Type: MultipleChoice

In order to print all of its forms in-house, the Prism health plan is considering the purchase of 10 new printers at a total cost of $30,000. Prism estimates that the proposed printers have a useful life of 5 years. Under its current system, Prism spends $10,000 a year to have forms printed by a local printing company. Assume that Prism selects a 15% discount rate based on its weighted-average costs of capital. The cash inflows for each year, discounted to their present value, are shown in the following chart:

Year	Cash Inflow	Discounted Cash Inflow	Running Total
1	$10,000	$ 8,695	$ 8,695
2	10,000	7,561	16,256
3	10,000	6,575	22,831
4	10,000	5,717	28,548
5	10,000	4,972	33,520
		33,520	

Prism will use both the payback method and the discounted payback method to analyze the worthiness of this potential capital investment. Prism's decision rule is to accept all proposed capital projects that have payback periods of four years or less.

After analyzing this information, Prism would accept this proposed capital project under

Options:

A- Both the payback method and the discounted payback method
B- The payback method but not the discounted payback method
C- The discounted payback method but not the payback method
D- Neither the payback method nor the discounted payback method

Answer:

B

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Question 8

Question Type: MultipleChoice

For a given healthcare product, the Magnolia Health Plan has a premium of $80 PMPM and a unit variable cost of $30 PMPM. Fixed costs for this product are $30,000 per month. Magnolia can correctly calculate the break-even point for this product to be:

Options:

A- 274 members
B- 375 members
C- 600 members
D- 1,000 members

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Answer:

C

Question 9

Question Type: MultipleChoice

Dr. Jacob Winburne is compensated by the Honor Health Plan under an arrangement in which Honor establishes at the beginning of a financial period a fund from which claims approved for payment are paid. At the end of the given period, any funds remaining are paid out to providers. This information indicates that the arrangement between Dr. Winburne and Honor includes a

provider incentive known as a:

Options:

A- Risk pool, and any deficit in the fund at the end of the period would be the sole responsibility of Honor
B- Risk pool, and any deficit in the fund at the end of the period would be paid by both Dr. Winburne and Honor according to percentages agreed upon at the beginning of the contract period
C- Withhold, and any deficit in the fund at the end of the period would be the sole responsibility of Honor
D- Withhold, and any deficit in the fund at the end of the period would be paid by both Dr. Winburne and Honor according to percentages agreed upon at the beginning of the contract period

Answer:

A

Question 10

Question Type: MultipleChoice

All publicly traded health plans in the United States are required to prepare financial statements for use by their external users in accordance with generally accepted accounting principles (GAAP). In addition, health insurers and health plans that fall under the jurisdiction of state insurance departments are required by law to prepare certain financial statements in accordance with statutory accounting practices (SAP). In a comparison of GAAP to SAP, it is correct to say that:

Options:

A- GAAP is established and promoted by the National Association of Insurance Commissioners (NAIC), whereas SAP is established and promoted by the Financial Accounting Standards Board (FASB)
B- The going-concern concept is an underlying premise of GAAP, whereas SAP tends to focus on the liquidation value of the MCO or the insurer
C- GAAP provides for a single method of valuing all of a health plan's assets, whereas SAP offers the health plan more than one method for valuing its assets
D- The principle of conservatism is fundamental to GAAP, whereas SAP generally is not conservative in nature

Answer:

B

Question 11

Question Type: MultipleChoice

One way that the Medicare and Medicaid programs differ is that under Medicare, a smaller proportion of provider reimbursement goes to the primary care providers and a greater proportion of the reimbursement goes to hospitals and specialists.

Options:

A- True
B- False

Answer:

A

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