

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

Governance and Regulation

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### 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. 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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### 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

Correct Answer: B

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### QUESTION 3

The Department of Health and Human Services (HHS) has delegated its responsibility for development and oversight of regulations under the Health Insurance Portability and Accountability Act (HIPAA) to an office within the Centers for Medicaid and Medicare Services (CMS). The CMS office that is responsible for enforcing the federal requirements of HIPAA is the

- A. Center for Health Plans and Providers (CHPPs)
- B. Center for Medicaid and State Operations
- C. Center for Beneficiary Services
- D. Center for Managed Care

Correct Answer: B

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#### QUESTION 4

Third party administrators (TPAs) provide various administrative services to health plans or groups that provide health benefit plans to their employees or members. Many state laws that regulate TPAs are based on the NAIC Third Party Administrator Model Statute. One provision of the TPA Model Law is that it

- A. Prohibits TPAs from performing insurance functions such as underwriting and claims processing
- B. Prohibits TPAs from entering into an agreement under which the amount of the TPA's compensation is based on the amount of premium or charges the TPA collects
- C. Requires TPAs, upon the termination of a TPA agreement with a group, to immediately transfer all its records relating to the group to the new administrator
- D. Requires TPAs to notify the state insurance department immediately following any material change in the TPA's ownership or control

Correct Answer: D

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#### QUESTION 5

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.

Inflation plays a role in the health plan environment by influencing the prices of healthcare services, supplies, and coverage. During an inflationary period, consumers typically have (more / less) purchasing power because the prices of goods and services increase (more / less) quickly than income.

- A. More / more
- B. More / less
- C. Less / more
- D. Less / less

Correct Answer: C

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#### QUESTION 6

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

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#### QUESTION 7

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

Correct Answer: C

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#### QUESTION 8

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

Correct Answer: A

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#### QUESTION 9

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

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#### QUESTION 10

Several states have adopted clinical practice guidelines for treating workers' compensation injuries. Clinical practice guidelines can best be described as

- A. Fee schedules that specify the maximum amount providers may charge for treating workers' compensation patients
- B. A utilization management and quality management mechanism designed to aid providers in making decisions about the most appropriate course of treatment for a specific case
- C. Detailed plans of medical treatment designed to facilitate a patient's return to the workplace
- D. Payment practices that might technically violate the provisions of the anti-kickback statute but that will not be considered illegal and for which providers and health plans will not be subject to penalties

Correct Answer: B

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#### QUESTION 11

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.

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#### QUESTION 12

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 underutilization Type of compensation arrangement FFS arrangement
- B. Type of abuse underutilization Type of compensation arrangement capitation arrangement
- C. Type of abuse overutilization Type of compensation arrangement FFS arrangement
- D. Type of abuse overutilization Type of compensation arrangement capitation arrangement

Correct Answer: B

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### QUESTION 13

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 14

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

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#### QUESTION 15

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

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