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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.

In creating Diversified, Tidewater formed the type of company known as

- A. A mutual holding company
- B. A spin-off company
- C. An upstream holding company
- D. A downstream holding company

Correct Answer: D

QUESTION 2

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

QUESTION 3

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.



This information indicates that Bloom resolved its dispute with Mr. Dace by using an ADR method known as:

- A. Corporate risk management
- B. An ombudsman program
- C. An ethics committee
- D. Arbitration

Correct Answer: D

QUESTION 4

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

QUESTION 5

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
