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Governance and Regulation

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QUESTION 1

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

QUESTION 2

Some health plans qualify as tax-exempt organizations under Sections 501(c)(3) and 501(c)(4) of the Internal Revenue Code. One true statement regarding a health plan that qualifies as a 501(c)(4) social welfare organization, in comparison to a health plan that qualifies as a 501(c)(3) charitable organization, is that a

- A. 501(c)(4) social welfare organization is allowed to distribute profits for the benefit of individuals, whereas a 501(c)(3) charitable organization can use surplus only for the benefit of the organization, the community, or a charity
- B. 501(c)(4) social welfare organization can raise operating funds through the sale of tax- exempt bonds, whereas a 501(c)(3) charitable organization does not have this advantage
- C. 501(c)(4) social welfare organization has less flexibility in determining use of funds for social or political activities than does a 501(c)(3) charitable organization
- D. 501(c)(4) exemption is easier to obtain than a 501(c)(3) exemption, because 501(c)(4) social welfare organizations are allowed to benefit a comparatively smaller group of individuals

Correct Answer: D

QUESTION 3

The following statements are about the Federal Employees Health Benefits Program (FEHBP), which is administered by the Office of Personnel Management (OPM). Three of the statements are true and one statement is false. Select the answer choice that contains the FALSE statement.

- A. For every plan in the FEHBP, OPM annually determines the lowest premium that is actuarially sound and then negotiates with each plan to establish that premium rate.
- B. Once a health plan has submitted its rate proposals for a contract year to the OPM, it cannot adjust its premium rate



for any reason.

C. To cover its administrative costs, OPM sets aside 1% of all FEHBP premiums.

D. Each spring, OPM sends all plan providers its call letter, a document that specifies the kinds of benefits that must be available to plan participants and cost goals and procedural changes that the plans need to adopt.

Correct Answer: A

QUESTION 4

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 5

The following statements are about market conduct examinations of health plans. Select the answer choice that contains the correct statement.

A. Multistate examinations are not appropriate for financial examinations, because regulatory requirements concerning a health plan's financial condition tend to vary from state to state.

B. Market conduct examinations of a health plan's advertising and sales materials include comparing the advertising materials to the policies they advertise.

C. Once an examination report is provided to the state insurance department, a health plan is not given an opportunity to present a formal objection to the report.

D. In imposing sanctions on health plans, state insurance departments are required to follow federal sentencing guidelines.

Correct Answer: B

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