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QUESTION NO: 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

Answer: C

Explanation:

QUESTION NO: 2

The Sawgrass Health Center is an institution that trains healthcare professionals and performs various clinical and other types of healthcare-related research. Because Sawgrass receives government funding, it is required to provide medical care for the poor. Of the following types of health plans, Sawgrass can best be described as:

- A. A medical foundation
- B. An academic medical center (AMC)
- C. A healthcare cooperative
- D. A community health center (CHC)

Answer: B

Explanation:

QUESTION NO: 3

Regulatory and legislative bodies are among the important environmental forces in the health plan

industry. The following statements are about such regulation and legislation. Select the answer choice that contains the correct statement.

- A.** Federal guidelines exist to direct health plans on compliance issues when a health plan encounters conflicting state laws in a given service area.
- B.** Administrative rules and regulations do not carry the force of law.
- C.** As stakeholders in the health plan industry, federal and state governments exert tremendous influence over a health plan's formation and operations.
- D.** In recent years, the number of health plan bills in the state and the federal legislatures has decreased.

Answer: C

Explanation:

QUESTION NO: 4

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

Answer: A

Explanation:

QUESTION NO: 5

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

Answer: B

Explanation:

QUESTION NO: 6

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

Answer: D

Explanation:

QUESTION NO: 7

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.