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Health Plan Finance and Risk Management

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Topic 1, Volume A

QUESTION NO: 1

Users of the Fulcrum Health Plan financial information include:

- The independent auditors who review Fulcrum's financial statements
- Fulcrum's controller (comptroller)
- Fulcrum's plan members
- The providers that deliver healthcare services to Fulcrum plan members
- Fulcrum's competitors

Of these users, the ones that most likely can correctly be classified as external users with a direct financial interest in Fulcrum are the

A. Independent auditors, the plan members, the providers, and the
B. Competitors only
C. Independent auditors, the controller, and the providers only
D. Controller and the competitors only
E. Plan members and the providers only

Answer: D
Explanation:

QUESTION NO: 2

The Eclipse Health Plan is a not-for-profit health plan that qualifies under the Internal Revenue Code for tax-exempt status. This information indicates that Eclipse

A. Has only one potential source of funding: borrowing money
B. Does not pay federal, state, or local taxes on its earnings
C. Must distribute its earnings to its owners-investors for their personal gain
D. Is a privately held corporation

Answer: B
Explanation:

QUESTION NO: 3

The Challenger Group is a type of management services organization (MSO) that purchases the assets of physician practices, provides practice management and administrative support services to participating providers, and offers physicians a long-term contract and an equity position in

Challenger. This information indicates that Challenger is a type of health plan

A. Known as
B. An integrated delivery system (IDS)
C. Amedical foundation
D. Aprovider-sponsored organization (PSO)
E. Aphysician practice management (PPM) company

Answer: D
Explanation:

QUESTION NO: 4

A key factor that distinguishes the various types of health plans is the type and amount of risk that a health plan assumes with respect to the delivery and financing of healthcare benefits. An example of a type of health plan that typically assumes the financial risk of delivering and financing healthcare benefits is a

A. Third party administrator (TPA)
B. Utilization review organization (URO)
C. Preferred provider organization (PPO)
D. Pharmacy benefit management (PBM) plan

Answer: C
Explanation:

QUESTION NO: 5

The following statements are about pure risk and speculative risk—two kinds of risk that both businesses and individuals experience. Select the answer choice containing the correct statement.

A. Healthcare coverage is designed to help plan members avoid pure risk, not speculative risk.
B. Only pure risk involves the possibility of gain.
C. An example of speculative risk is the possibility that an individual will contract a serious illness.
D. Only speculative risk contains an element of uncertainty.

Answer: A
Explanation:

QUESTION NO: 6

The following paragraph contains an incomplete statement. Select the answer choice containing the term that correctly completes the statement. Health plans face four contingency risks (C-risks): asset risk (C-1), pricing risk (C-2), interest-rate risk (C-3), and general management risk (C-4). Of these risks, _____ is typically the most important risk that health plans face. This is true because a sizable portion of the total expenses and liabilities faced by a health plan come from contractual obligations to pay for future medical costs, and the exact amount of these costs is not known when the healthcare coverage is priced.

A. Asset risk (C-1)
B. Pricing risk (C-2)
C. Interest-rate risk (C-3)
D. General management risk (C-4)

Answer: B
Explanation:

QUESTION NO: 7

The Health Maintenance Organization (HMO) Model Act, developed by the National Association of Insurance Commissioners (NAIC), represents one approach to developing solvency standards. One drawback to this type of solvency regulation is that it

A. Uses estimates of future expenditures and premium income to estimate future risk
B. Fails to adjust the solvency requirement to account for the size of an HMO's premiums and expenditures
C. Assumes that the amount of premiums an HMO charges always directly corresponds to the level of the risk that the HMO faces
D. Fails to mandate a minimum level of capital and surplus that an HMO must maintain

Answer: C
Explanation:

QUESTION NO: 8

The NAIC has developed a risk-based capital (RBC) formula for all health plans that accept risk. One true statement about the RBC formula for health plans is that it

A. is a set of calculations, based on information in a health plan's annual financial report, that yields a target capital requirement for the organization