# AHM-510 Q&As

Governance and Regulation



**QUESTION 1**

Health plans are allowed to appeal rules or regulations that affect them. Generally, the grounds for such appeals are limited either to procedural grounds or jurisdictional grounds. The Kabyle Health Plan appealed the following new regulations:

Appeal 1 - Kabyle objected to this regulation on the ground that this regulation is inconsistent with the law.

Appeal 2 - Kabyle objected to this regulation because it believed that the subject matter was outside the realm of issues that are legal for inclusion in the regulatory agency\\'s regulations.

Appeal 3 - Kabyle objected to the process by which this regulation was adopted.

Of these appeals, the ones that Kabyle appealed on jurisdictional grounds were

A. Appeals 1, 2, and 3

B. Appeals 1 and 2 only

C. Appeals 1 and 3 only

D. Appeals 2 and 3 only

Correct Answer: B

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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.

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.

By combining under Diversified a group of businesses that produce unrelated products and by consolidating the management of the businesses, Tidewater has achieved the type(s) of integration known as

A. Conglomerate integration and operational integration

B. Horizontal integration and operational integration

C. Horizontal integration and virtual integration

D. Conglomerate integration only

Correct Answer: A

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**QUESTION 3**

One typical difference between a for-profit health plan\\'s board of directors and a not-for- profit health plan\\'s board of directors is that the directors in a for-profit health plan

A. Can serve on the board for a period of no more than ten years, whereas the terms of service for a not-for-profit board\\'s directors are usually unlimited by the director\\'s age or by a preset maximum number of years of service

B. Must participate in raising capital for the health plan, whereas a not-for-profit board\\'s directors are prohibited from participating directly in raising capital for the health plan

C. Are directly accountable to shareholders, whereas a not-for-profit board\\'s directors are accountable to plan members and the community

D. Are not compensated for board participation, whereas a not-for-profit board\\'s directors are compensated for board participation

Correct Answer: C

**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**

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 order to become the type of company that is owned by people who purchase shares of the company\\'s stock, Tidewater must undergo a process known as

A. management buy-out

B. piercing the corporate veil

C. demutualization

D. mutualization

Correct Answer: C