

# AHM-510<sup>Q&As</sup>

Governance and Regulation

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**QUESTION 1**

The Balanced Budget Act (BBA) of 1997 created the Medicare+Choice plan. One provision of the BBA under Medicare+Choice is that the BBA A. Requires health plans to qualify as either a competitive medical plan (CMP) or a federally qualified HMO in order to participate in the Medicare program

- B. Eliminates funding for demonstration projects such as the Medicare Enrollment Demonstration Project
- C. Narrows the geographic variations in payments to Medicare health plans by lowering the growth rate of payments in high-payment counties and raising the rates in low-payment counties
- D. Increases Graduate Medical Education (GME) payments to hospitals for the training and cost of educating and training residents

Correct Answer: C

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**QUESTION 2**

From the following answer choices, choose the term that best corresponds to this description.

Barrington Health Services, Inc. contracts with a state Medicaid agency as a fiscal intermediary. Barrington does not provide medical services, but contracts with medical providers on behalf of the state Medicaid agency.

- A. Health insuring organization (HIO)
- B. Independent practice association (IPA)
- C. Physician practice management (PPM) company
- D. Peer review organization (PRO)

Correct Answer: A

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**QUESTION 3**

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

Correct Answer: B

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#### QUESTION 4

The Good and Well Pharmacy, a Medicaid provider of outpatient drugs, is subject to the prospective drug utilization review (DUR) mandates of the Omnibus Budget Reconciliation Act of 1990 (OBRA '90). One component of prospective DUR is screening. In this context, when Good and Well is involved in the process of screening, the pharmacy is

- A. Updating a formulary to represent the current clinical judgment of providers and experts in the diagnosis and treatment of disease
- B. Reviewing patient profiles for the purpose of identifying potential problems
- C. Consulting directly with prescribers and patients in the planning of drug therapy
- D. Denying coverage for the off-label use of approved drugs

Correct Answer: B

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#### QUESTION 5

Directors on a health plan's board must demonstrate their compliance with three duties in all their decisions. Directors who exercise their duties in good faith and with the same degree of diligence and skill that an ordinary, reasonable person would be expected to display in the same situation are meeting the duty known as the

- A. Duty of loyalty
- B. Duty to supervise
- C. Duty of care
- D. Trustee duty

Correct Answer: C

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