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Governance and Regulation

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QUESTION 1

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 creating Diversified, Tidewater formed the type of company known as

- A. A mutual holding company
- B. A spin-off company
- C. An upstream holding company
- D. A downstream holding company

Correct Answer: D

QUESTION 2

The government uses various tools within the realm of two broad categories of public policy-allocative policies and regulatory policies. In the context of public policy, laws that fall into the category of allocative policy include

- A. The Balanced Budget Act (BBA) of 1997
- B. The Health Insurance Portability and Accountability Act (HIPAA) of 1996
- C. Laws affecting health plan quality oversight
- D. Laws specifying procedures for health plan handling of consumer appeals and grievances

Correct Answer: A

QUESTION 3

Brighton Health Systems, Inc., a health plan, wants to modify its advertising and marketing materials to avoid liability risk under the principle of ostensible agency. One step that Brighton can take to reduce the likelihood of being liable for provider negligence under the theory of ostensible agency is to

- A. Guarantee the quality of medical care provided to Brighton members
- B. Use advertising materials which state that Brighton itself provides healthcare
- C. Add disclaimers to advertising materials indicating that only physicians and not Brighton make medical decisions



D. Use advertising materials to characterize Brighton\\'s role as providing physicians, hospitals, and other healthcare professionals rather than arranging for healthcare.

Correct Answer: C

QUESTION 4

SoundCare Health Services, an MCO, recently conducted a situation analysis. One step in this analysis required SoundCare to examine its current activities, its strengths and weaknesses, and its ability to respond to potential threats and opportunities in the environment. This activity provided SoundCare with a realistic appraisal of its capabilities. One weakness that SoundCare identified during this process was that it lacked an effective program for preventing and detecting violations of law. SoundCare decided to remedy this weakness by using the 1991 Federal Sentencing Guidelines for Organizations as a model for its compliance program.

By definition, the activity that SoundCare conducted when it examined its strengths, weaknesses, and capabilities is known as

- A. An environmental analysis
- B. An internal assessment
- C. An environmental forecast
- D. A community analysis

Correct Answer: B

QUESTION 5

Health maintenance organizations (HMOs) seeking federal qualification under the HMO Act of 1973 and its amendments must meet requirements in four basic operational areas. One operational requirement for qualification is that an HMO must

- A. Ensure that at least 1/3 of its policy-making body is comprised of HMO members
- B. Ensure that there is adequate representation of underserved communities on its policy- making body
- C. Have an ongoing quality assurance program that meets the requirements of the Centers for Medicaid and Medicare Services (CMS), stresses health outcomes, and provides for review by health professionals
- D. Test, safeguard, and promote quality of care by following detailed programmatic techniques that are explained in CMS\\'s Federally Qualified HMO (FQHMO) Manual

Correct Answer: C
