

Chapter 3: Financing the Provision of Care

1. All of the following budget elements are categorized as expenditures except:
- a. Costs.
 - b. Taxes.
 - c. Revenue.
 - d. Overhead.

Answer: c

Feedback: Revenue is an income item, not an expenditure.

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2. By law, for-profit organizations can use “extra” money to:
- a. Pay bonuses to personnel.
 - b. Pay dividends to stockholders.
 - c. Fund improvements.
 - d. All of the above

Answer: d

Feedback: For-profit companies can spend profit, or extra money, in any way they choose.

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3. When revenue and expenditures are equal, this is known as:
- a. Breaking even.
 - b. Making a profit.
 - c. Taking a loss.
 - d. Reinvestment.

Answer: a

Feedback: The term “breaking even” indicates that revenue and expenditures are even—equal.

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4. Which of the following is an example of a public health care facility?
- a. A for-profit hospital
 - b. A community-based free clinic
 - c. A physician’s office
 - d. A hospital-based walk-in clinic

Answer: b

Feedback: The community-based free clinic is paid for with tax dollars and owned/run by the state department of health.

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5. Which of the following is an example of a third-party payer?
- a. The patient paying a co-pay
 - b. The physician getting reimbursement for services provided
 - c. The parents of a minor patient

d. Prudential health insurance

Answer: d

Feedback: Prudential health insurance is a third-party payer that pays for health care services but is not directly involved in getting or receiving care.

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6. Which statement about Medicare is true?

- a. Medicare is a health insurance company.
- b. Medicare covers health care services to indigent patients.
- c. Medicare covers health care services to those 65 years and older.
- d. Medicare covers only those serving in the military.

Answer: c

Feedback: Medicare is a reimbursement program for health services to those 65 and older, as well as those with a permanent disability and those diagnosed with end-stage renal disease.

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7. When a patient has an injury or illness shown to be a result of employment, health services are usually paid for by:

- a. The patient's health care coverage.
- b. Workers' compensation insurance.
- c. Medicaid.
- d. TriCare.

Answer: b

Feedback: Any illness or injury that is a result of the individual's work is typically covered by Workers' compensation insurance.

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8. Which of the following is the term used for the limitation placed on the amount a third-party payer will reimburse for a service?

- a. Co-insurance
- b. Deductible
- c. Allowed amount
- d. Co-payment

Answer: c

Feedback: The allowed amount is the pre-agreed upon price for each and every procedure or service provided to a beneficiary.

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9. A balance among various types of payers to one health care facility is known as:

- a. Case mix.
- b. Payer balance.
- c. Reimbursement coverage.
- d. Revenue sourcing.

Answer: a

Feedback: Case mix is the assurance that the facility does not depend upon any single outside source for funding.

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10. The general rule in business is that no single customer should ever represent more than _____ of the facility's total revenue.

- a. 10%
- b. 25%
- c. 30%
- d. 60%

Answer: c

Feedback: No single vendor or payer should represent more than 30% of the facility's total revenue.

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11. When a predetermined amount of money is paid for each covered procedure, service, and treatment, this reimbursement method is known as:

- a. Capitation.
- b. Fee-for-service.
- c. Episodic care.
- d. Reasonable.

Answer: b

Feedback: As it seems from the name, fee-for-service identifies a preset amount of reimbursement for each procedure, service, or treatment.

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12. The reimbursement method RBRVS uses RVUs to determine how much the allowed amounts are for each procedure or service. RVU stands for:

- a. Reasonable Variable Unit.
- b. Reliable Variations and Uniformity.
- c. Resources Valuation Unity.
- d. Relative Value Unit.

Answer: d

Feedback: From Medicare's formula, an RVU is a Relative Value Unit.

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13. The RBRVS formula includes weighted value for:

- a. Malpractice expense.
- b. Cost of training to perform the procedure.
- c. Number of years the physician has been practicing.
- d. Age of the patient.

Answer: a

Feedback: RBRVS includes weighted values for malpractice (malpractice insurance premium), work (effort and supplies), and practice expense (overhead).

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14. In order to provide a dollar value to the total of the RBRVS formula, the total number of RVUs is multiplied by the _____ as determined by Congress for that calendar year.

- a. capitation factor
- b. UCR
- c. geographical practice cost indices
- d. conversion factor

Answer: d

Feedback: The conversion factor, as determined by Congress each year, will convert RVUs into dollars.

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15. Diagnosis-related groups (DRGs) are an example of which type of reimbursement plan?

- a. Capitation
- b. Episodic care
- c. Fee-for-service
- d. UCR

Answer: b

Feedback: Diagnosis-related groups (DRGs) are a type of episodic care payment plan because they reimburse by the diagnosis and standard of care treatment.

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16. Resource utilization factors which of the following into the payment amount?

- a. Age of patient
- b. Risk of mortality
- c. Quantity of diagnostic services
- d. Gender of patient

Answer: c

Feedback: Resource utilization includes the quantity and types of diagnostic and/or therapeutic services, and inpatient room/bed services, and is one of several factors used to determine the amount paid for each DRG.

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17. Which of the following is included in Medicare Severity DRG (MS-DRG) calculations to determine amount of reimbursement?

- a. A geographic location adjustment
- b. Date of admission
- c. Physician specialty
- d. Patient prognosis

Answer: a

Feedback: MS-DRG includes a geographic location adjustment to use a larger pool of categories than DRGs.

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18. An enhanced payment for services can be received by a physician participating in CMS's:

- a. TriCare.
- b. Primary Care Incentive Payment Program (PCIP).
- c. STTR grant program.
- d. Medicaid.

Answer: b

Feedback: CMS's PCIP provides incentive funds to physicians who provide primary care services.

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19. Which of the following is considered a capital expense?

- a. Payroll
- b. Utility payments
- c. Telephone payments
- d. Purchase of an MRI unit

Answer: d

Feedback: A capital expense is described as large amounts of money used to improve the viability of the facility.

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20. Which of the following is a type of government financing that provides money that does not have to be paid back?

- a. Commercial loan
- b. Grant
- c. Secured bond issuance
- d. Claims submitted to Medicare

Answer: B

Feedback: Grant monies are provided, within the terms of the grant, and do not have to be repaid.

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21. Physicians and hospitals that need financial help paying for the conversion to electronic health records could get incentive payments through:

- a. CMS.
- b. CDC.
- c. EPA.
- d. PQRS.

Answer: A

Feedback: CMS's electronic health record program paid out \$4.5 billion in incentive payments to more than 76,500 physicians and hospitals since its inception.

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22. For-profit health care facilities can raise money by:

- a. Raising taxes on area residents.
- b. Hiring more support staff.
- c. Issuing and selling shares of stock.
- d. Expanding the size of their offices.

Answer: c

Feedback: Money received for each share of stock can be used for whatever purposes the facility needs.

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23. A secured bond issuance is:

- a. Used to raise small amounts of money (less than \$1,000).
- b. Also known as a debenture.
- c. The same as selling stock in the company.
- d. Backed with some type of asset.

Answer: d

Feedback: Secured bonds are backed by a specific asset, such as a parcel of land.

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24. Which of the following is an example of accounts receivable?

- a. Telephone bill
- b. Claims submitted to third-party payer
- c. Payroll
- d. Dividends to stockholders

Answer: b

Feedback: Claims are like invoices, sent with the intention of receiving money back to the facility. All of the other answer choices are expenditures—money going out.

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25. The money paid out for bandages and exam table covers are considered:

- a. Fixed costs.
- b. Reimbursement from third-party payers.
- c. Variable expenditures.
- d. Payroll.

Answer: c

Feedback: These expenses vary based on how much is used—how many patients are seen.

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