Chapter 2- Paying for Healthcare

TRUI	E/FALSE							
1.	The Gross Domestic Product (GNP) is the total output of all the business enterprises of a country.							
	ANS: F	PTS:	1	REF:	Introduction			
2. Preferred provider organization (PPO) plans are a form of managed care.								
	ANS: T	PTS:	1	REF:	Private Sector Insurance			
3. The federal government's first involvement in healthcare financing was based on the Social Se Amendments of 1965.								
	ANS: F	PTS:	1	REF:	Government Healthcare Programs			
4.	4. Medicare beneficiary premiums cover only one-fourth of Medicare Part B costs.							
	ANS: T	PTS:	1	REF:	Government Healthcare Programs			
5.	5. TRICARE Insurance is a private company contracted by the federal government to provide healthcar insurance to members of the armed forces.							
	ANS: F	PTS:	1	REF:	Government Healthcare Programs			
MUL'	TIPLE CHOICE							
1.		osts acc	counted for app	roxima	tely what percentage of the gross domestic product			
	of the U. S. A.? a. 8%			c.	18%			
	b. 13%			d.	23%			
	ANS: C	PTS:	1	REF:	Introduction			
2.	What type of healthcare insurance coverage is most common in America? a. private insurance from employer b. private insurance individually purchased c. government insurance (all combined) d. no insurance							
	ANS: A	PTS:	1	REF:	Introduction			
3.	Most healthcare prova. patients b. patients' families	S		c. d.	the federal government third-party payers			
	ANS: D	PTS:	1	REF:	Private Sector Insurance			
4.	Usual, Customary, a.a. set by hospital arb. based on surveys	nd phys	ician organizati	ions	panies			

c. the lowest fees that healthcare providers will accept

	d. based on the consumer price index								
	ANS: B PTS: 1 REF: Private Sector Insurance								
5.	When a person insured with a preferred provider organization plan receives healthcare services from a provider who does not participate in the plan, the insured person a. gets a lower deductible								
	ANS: C PTS: 1 REF: Private Sector Insurance								
6.	Healthcare providers who participate in a capitated payment type of health maintenance organization								
 a. pay directly for medical services b. are salaried employees of the HMO c. get paid a per member per month rate d. receive bonuses for spending more time with patients. 									
	ANS: C PTS: 1 REF: Private Sector Insurance								
7.	Individuals covered by a high deductible health plan within a preferred provider organization use fewer outpatient services and shop around for lower cost outpatient services because they a. pay directly for routine care b. are retirees on fixed budgets c. get rebates for spending less on care d. pay taxes on healthcare expenditures								
	ANS: A PTS: 1 REF: Private Sector Insurance								
8.	An individual works at a business that covers half the cost of a group healthcare insurance plan wit the other half paid by the employee. The individual quits his job but wishes to retain group healthcare insurance as per COBRA. How much will he pay for coverage? a. The same amount he paid while employed b. The same amount he paid while employed plus an administrative fee c. Twice the amount he paid while employed d. Twice the amount he paid while employed plus an administrative fee								
	ANS: D PTS: 1 REF: Government Regulation of Private-Sector Healthcare Plans: Consolidated Budget Reconciliation Act (COBRA)								
9.	Prescription drugs for the elderly are covered under a. Medicare Part A								
	ANS: D PTS: 1 REF: Government Healthcare Programs								
10.	 a. Balanced Budget Act of 1997 b. Medicare Prescription Drug, Improvement, and Modernization Act of 2003 c. American Recovery and Reinvestment Act of 2009 d. Social Security Act of 1935 								
	ANS: A PTS: 1 REF: Government Healthcare Programs								

11.	Premium payments from Medicare recipients cover what portion of Medicare's prescription drug benefits?							
	a. 10%b. 25%				50% 85%			
	ANS: A	PTS: 1			Government Healthcare Programs			
12.	Which of the following	ing program services p	ms currently allow rovided by civilia	vs a in h	armed forces members and their eligible dependents nealthcare providers? TRICARE Prime TRICARE Standard			
	ANS: D	PTS: 1	REF	₹:	Government Healthcare Programs			
13.	What is the source o a. beneficiary-paid b. the Veterans Ad ANS: C	premiums	on c	c. d.	r Life program? Medicare tariffs on imported products Government Healthcare Programs			
1.4					Ç			
 14. Americans without healthcare insurance (private or government) a. cannot get care at for-profit hospitals b. numbered around 80 million in 2009 c. typically were denied private healthcare insurance d. pay directly for routine medical care 								
	ANS: D	PTS: 1	REF	₹:	The Growing Uninsured			
15.	Rising healthcare insurance costs in a tight employment market (fewer jobs and many qualified applicants) will likely result in employers a. covering a greater portion of employee healthcare insurance costs b. dropping part-time positions in favor of fewer full-time positions c. eliminating healthcare insurance as a benefit d. firing workers with the greatest healthcare expenditures							
	ANS: C	PTS: 1	REF	₹:	The Growing Uninsured			
16.	Uncompensated hosp a. was 20% of hosp b. was 10% of hosp ANS: D	oital expen	ses c	d.	was almost \$100 billion was almost \$40 billion Uncompensated Care			
17.	Group healthcare ins a. in the late 1800s b. during the Great	•	(c.				
	ANS: A	PTS: 1	REF	₹:	Private Sector Insurance			
18.	Which type of health a. CHAMPUS b. HMOs	ncare insura	(c.	rimary care "gatekeepers"? PPOs TRICARE Standard			
	ANS: B	PTS: 1	REF	₹:	Private Sector Insurance			
19.	The Social Security	Act of 193	5					

	 a. was part of Truman's Fair Deal b. provides retirement funds based on employee-paid premiums c. included health insurance coverage d. provides retirement funds from taxes on current workers 	
	ANS: D PTS: 1 REF: Government Healthcare Programs	
20.	Medicare beneficiaries in 2010 who needed expensive drugs would pay up to out-of-pocket du to the "donut hole" in coverage under the MMA (2003). a. \$550 c. \$4,550 b. \$1,550 d. \$7,550	ıe
	ANS: C PTS: 1 REF: Government Healthcare Programs	
COM	MPLETION	
1.	In 2010, the average cost for family coverage in an employer-based group healthcare insurance plan was \$	1
	ANS: 13,770 13770	
	PTS: 1 REF: Private Sector Insurance	
2.	An employee and his wife receive healthcare insurance from the employer's group plan. On the employee's 65th birthday, he becomes eligible for Medicare and ineligible for his employer's group healthcare insurance plan. The employee's wife is 61 years old. Based on COBRA, she will be eligible for coverage under the employer's group plan for months.	
	ANS: 36 thirty-six thirty six	
	PTS: 1 REF: Government Regulation of Private-Sector Healthcare Plans: Consolidated Budget Reconciliation Act (COBRA)	
3.	The two types of care covered by Medicare Part A are hospitalizations and limited stays for in skilled nursing facilities.	
	ANS: convalescence	
	PTS: 1 REF: Government Healthcare Programs	
4.	A self-employed person who earns \$100,000 must pay a Medicare payroll tax of \$	
	ANS: 2,900 2900	
	PTS: 1 REF: Government Healthcare Programs	

5. The Congressional Budget Office predicted that annual Medicare expenditures will exceed one trillion dollars in the year ______.

ANS: 2020

PTS: 1 REF: Government Healthcare Programs

SHORT ANSWER

1. Describe preferred provider organization plans and explain their limited ability to control healthcare costs.

ANS:

A PPO plan is a form of managed care in which the insurer contracts with healthcare providers that agree to a reduced-cost fee schedule. Covered persons who use a preferred provider pay less through a combination of lower premiums, lower deductibles, and smaller co-payments. A PPO plan is still fee-for-service, and providers have no incentives for reducing services.

PTS: 1 REF: Private Sector Insurance

2. A rural village has one family physician. The nearest hospital, 25 miles away, is a thirty-bed facility owned by the physicians who practice in the rural county. Explain why village residents are unlikely to use a preferred provider organization or a health maintenance organization.

ANS:

The local physicians and the small hospital have no competition and therefore no need to accept reduced fees from a PPO or capitated payments from an HMO.

PTS: 1 REF: Private Sector Insurance

3. Describe the *American Recovery and Reinvestment Act of 2009 (ARRA)*, its relation to COBRA, and how its costs are paid.

ANS:

People who were laid-off and wish to retain their group healthcare insurance from their former employer under COBRA will have 65% of the premiums subsidized by the federal government under ARRA (and its two extensions). The costs are paid by taxpayers today and in the future (because the federal government is borrowing over 40% of what it spends).

PTS: 1

REF: Government Regulation of Private-Sector Healthcare Plans: Consolidated Budget Reconciliation Act (COBRA)

4. Describe the Children's Health Insurance Program of 1997.

ANS:

CHIP expanded Medicaid healthcare coverage to the children of families with incomes of up to 200% of the federal poverty level.

PTS: 1 REF: Government Healthcare Programs

5. Why are hospitals most affected by large numbers of uninsured persons?

ANS:

Hospitals with emergency departments must provide emergency care to any person, insured or not. A person admitted to a hospital who turns out not to have healthcare insurance cannot be discharged or transferred until he's medically stable. Many hospital-treated persons who are uninsured cannot pay for their emergency care or hospitalization.

PTS: 1 REF: Uncompensated Care