TRUE/FALSE

1. Healthcare is more heavily regulated than most other businesses in the United States.

   ANS: T PTS: 1 REF: Introduction

2. Capitated payment plans were common before 1965.

   ANS: F PTS: 1 REF: Financing Healthcare in America

3. A recent trend in healthcare is the growth of public corporations that own multiple hospitals and other healthcare facilities.

   ANS: T PTS: 1 REF: Types of Medical Businesses

4. Home healthcare services are in decline because providing services at home is not cost effective.

   ANS: F PTS: 1
   REF: Medical Facilities: The Evolving Process of Healthcare Delivery

5. Ambulatory care refers to services provided by paramedics or emergency medical technologists while transporting a patient to a hospital.

   ANS: F PTS: 1
   REF: Medical Facilities: The Evolving Process of Healthcare Delivery

MULTIPLE CHOICE

1. Which of the following financial management issues differentiates healthcare from other businesses?
   a. operating budgets
   b. need for cash flow
   c. third-party payers
   d. accounting method

   ANS: C PTS: 1 REF: Introduction

2. Which type of healthcare reimbursement system pays a fixed amount per patient?
   a. Medicaid
   b. capitation
   c. third-party insurance
   d. healthcare maintenance organization

   ANS: B PTS: 1 REF: Introduction

3. Prior to 1930, hospitals in America received most of their funding from ____.
   a. charitable donations
   b. city governments
   c. patient payments
   d. physician organizations

   ANS: A PTS: 1 REF: Financing Healthcare in America

4. Which of the following private-sector companies provides hospitalization insurance?
   a. Medicare
   b. Medicaid
   c. Blue Shield
   d. Blue Cross

   ANS: D PTS: 1 REF: Financing Healthcare in America

5. What situation resulted in the rapid increase of employer-sponsored healthcare insurance during World War II?
   a. rationing
   b. wage freezes
   c. socialism
   d. government mandate

   ANS: B PTS: 1 REF: Financing Healthcare in America

6. When Medicare and Medicaid were established in 1965, their costs increased much more than government planners expected. What was changed in 1982 in an attempt to keep costs down?
   a. Physicians were given incentives to use fewer resources.
   b. Patients were given incentives to improve their health.
   c. Hospital budgets were controlled by the federal government.
   d. Payments to healthcare providers were based on patients' diagnoses.

   ANS: D PTS: 1 REF: Financing Healthcare in America

7. Which type of healthcare insurance plan uses primary care clinician gatekeepers to coordinate the care of plan participants?
   a. capitation plan
   b. health maintenance organization
   c. preferred provider plan
   d. fee-for-service plan

   ANS: B PTS: 1 REF: Financing Healthcare in America

8. Most proprietorships form professional corporations in order to ____.
   a. reduce taxes
   b. raise capital by selling shares
   c. reduce malpractice liabilities
   d. reduce financial liabilities

   ANS: D PTS: 1 REF: Types of Medical Businesses

9. A small, closely held corporation is owned by ____.
   a. a parent corporation
   b. public stockholders
   c. private investors
   d. a proprietorship

   ANS: C PTS: 1 REF: Types of Medical Businesses

10. If you own stock in a publicly-held corporation that becomes bankrupt, you will ____.
    a. be billed for a portion of legal costs
    b. lose only the value of your stocks
    c. owe a portion of the corporation's debt
    d. owe a portion of the corporation's unpaid taxes

    ANS: B PTS: 1 REF: Types of Medical Businesses

11. Federal tax revenues are based on a *C Corporation's* ____.
    a. gross revenues
    b. net revenues and profits
    c. dividends
    d. profits and dividends

    ANS: D PTS: 1 REF: Types of Medical Businesses

12. A not-for-profit hospital must ____.
    a. be operated by a religious organization
    b. adopt a corporate structure
    c. have annual stockholder meetings
    d. be staffed by volunteers

ANS: B PTS: 1 REF: Types of Medical Businesses

13. The emergency department of a hospital is ____.
    a. an in-patient facility
    b. an out-patient facility
    c. a tax-exempt facility
    d. a non-classified facility

    ANS: B PTS: 1
    REF: Medical Facilities: The Evolving Process of Healthcare Delivery

14. The Hospital Survey and Construction Act of 1946 produced ____.
    a. an increase in the availability of in-patient hospital services
    b. a doubling in the number of not-for-profit hospitals
    c. a decrease in hospital charges due to greater competition
    d. a five-year increase in life expectancy of Americans

    ANS: A PTS: 1
    REF: Medical Facilities: The Evolving Process of Healthcare Delivery

15. The Tax Equity and Fiscal Responsibility Act of 1982 resulted in ____.
    a. fee-for-service plans for Medicare
    b. preferred provider insurance plans
    c. a prospective payment system for Medicare
    d. for-profit hospital corporations

    ANS: C PTS: 1
    REF: Medical Facilities: The Evolving Process of Healthcare Delivery

16. Home healthcare services ____.
    a. have been decreasing since the 1980s
    b. are less cost-effective than hospitals
    c. are eligible for Medicaid and Medicare reimbursement
    d. must be overseen by a physician

    ANS: C PTS: 1
    REF: Medical Facilities: The Evolving Process of Healthcare Delivery

17. Nursing home costs for elderly Americans ____.
    a. are covered by Medicare
    b. are mostly covered by long-term care insurance
    c. are decreasing because of improved medications
    d. are mostly covered by Medicaid

    ANS: D PTS: 1
    REF: Medical Facilities: The Evolving Process of Healthcare Delivery

18. The change that had the biggest financial impact on hospitals in the 1980s and 1990s was ____.
    a. the unionization of nurses and other caregivers
    b. the loss of federal tax-exemptions
    c. the reimbursement based on patient diagnoses
    d. federal grants for new hospitals and hospital expansions

    ANS: C PTS: 1
    REF: Medical Facilities: The Evolving Process of Healthcare Delivery

19. Hospice care ____.
    a. extends the life of patients

b. requires a dedicated facility
c. is for patients and their families
d. is not reimbursed by insurers or Medicare

ANS: C PTS: 1
REF: Medical Facilities: The Evolving Process of Healthcare Delivery

20. The responsibility for medical services at most hospitals lies with ____.
a. the chief executive officer
b. the chief of staff
c. the board of directors
d. the board of trustees

ANS: A PTS: 1
REF: Medical Facilities: The Evolving Process of Healthcare Delivery

COMPLETION

1. The legal document required in most states for expanding a hospital is a(n) _____.

ANS: Certificate of Need

PTS: 1 REF: Introduction

2. The original Medicare and Medicaid programs reimbursed hospitals using a(n) _____ system.

ANS:
cost-based
retrospective

PTS: 1 REF: Financing Healthcare in America

3. A group of physicians who do not want to incorporate but want to reduce their financial risks should form a(n) _____.

ANS:
LLP (limited liability partnership)
limited liability partnership (LLP)
LLP
limited liability partnership

PTS: 1 REF: Types of Medical Businesses

4. A not-for-profit healthcare business must be structured as a(n) _____.

ANS: corporation

PTS: 1 REF: Types of Medical Businesses

5. The controlling entity of a for-profit, investor-owned hospital is the _____.

ANS: board of directors

PTS: 1 REF: Medical Facilities: The Evolving Process of Healthcare Delivery

SHORT ANSWER

1. Explain why employer-sponsored healthcare insurance in America increased during World War II.

   ANS:

   The federal government froze worker wages during the war. Employers used benefits such as healthcare insurance to help retain their existing workers and attract new workers.

   PTS: 1 REF: Introduction

2. What circumstances in the first half of the twentieth century caused many hospitals in America to charge fees for their services?

   ANS:
   The stock market crash and the Great Depression reduced wealth. Charitable donations to hospitals fell below the amounts needed to keep them in operation. Hospitals had to charge patients for their care.

   PTS: 1 REF: Financing Healthcare in America

3. What factors contributed to the rapid cost increases of the Medicare and Medicaid programs in the 1960s, 1970s, and early 1980s?

   ANS:
   Reimbursement was based on a percentage of typical fee-for-service charges. Longer hospital stays resulted in greater reimbursements to the hospitals and the attending physicians. There was no incentive to reduce costs. Low costs to patients meant that they could demand premium care for medical problems and seek care for trivial afflictions.

   PTS: 1 REF: Financing Healthcare in America

4. Describe the financial advantages of a not-for-profit hospital over a for-profit hospital.

   ANS:
   A non-for-profit hospital pays no income or property taxes. It does not need to generate profits for stockholders. It can receive charitable donations to help cover operating costs and expansions.

   PTS: 1 REF: Types of Medical Businesses

5. Describe recent trends in long-term care services in America.

   ANS:
   Life-care facilities and continuing care retirement communities have become more common. These meet the healthcare and daily living needs of people who do not need continual care in nursing homes. Another trend is increased government funding of long-term care primarily through Medicaid (after patients spend-down their financial resources).

   PTS: 1 REF: Medical Facilities: The Evolving Process of Healthcare Delivery