

# AAM Phase 1 Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

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# Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

**Remember:** successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

# How to Use This Guide

**This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:**

## **1. Start with a Diagnostic Review**

**Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.**

## **2. Study in Short, Focused Sessions**

**Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.**

## **3. Learn from the Explanations**

**After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.**

## **4. Track Your Progress**

**Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.**

## **5. Simulate the Real Exam**

**Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.**

## **6. Repeat and Review**

**Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.**

**There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!**

## Questions

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- 1. Which of the following is a benefit of a PPO?**
  - A. A narrow network and rigid referrals**
  - B. Requires referrals for all visits**
  - C. Large network, flexibility, and lower in-network costs**
  - D. Higher out-of-network costs**
  
- 2. What does IBNR mean?**
  - A. Incurred But Not Reported**
  - B. Incurred But Not Reconciled**
  - C. Immediate Benefit Not Reimbursed**
  - D. Insurance Before Not Reported**
  
- 3. What is the definition of a PPO?**
  - A. A plan with no out-of-network coverage.**
  - B. A health plan with a network of preferred providers offering lower costs in-network but allowing out-of-network care for a higher cost.**
  - C. A tax-exempt account used to pay or reimburse eligible medical expenses.**
  - D. An employer-funded account that reimburses medical expenses tax-free.**
  
- 4. CHIP stands for?**
  - A. A federal-state program for uninsured children and pregnant women whose income is too high for Medicaid but can't afford private insurance.**
  - B. A private health savings account program.**
  - C. A requirement for hospital reporting.**
  - D. An act of privacy in health data.**
  
- 5. What happens to HRA balances when employment ends?**
  - A. They stay with the employee**
  - B. They are transferred to the new plan**
  - C. They are forfeited**
  - D. They stay with the employer**

- 6. Which statement best describes the 1095-B form?**
- A. It is a summary of the plan's expenditures for the year.**
  - B. It shows an individual was offered coverage; fully insured carriers file it directly with the IRS and send it to the member.**
  - C. It is used to enroll new dependents in the plan.**
  - D. It lists the network's provider directory.**
- 7. If a disability occurs and a new plan starts during that period, what happens to the disability benefits?**
- A. You switch to the new plan immediately.**
  - B. You stay on the prior plan until the disability ends or the benefit duration expires.**
  - C. Benefits stop once the new plan begins.**
  - D. Benefits are paid under both plans simultaneously.**
- 8. What does a lifetime maximum cap in dental or health benefits represent?**
- A. The maximum annual payment for the year.**
  - B. The maximum per-claim payment for a single service.**
  - C. The cumulative cap for the orthodontic portion only.**
  - D. The maximum lifetime limit on benefits across all services.**
- 9. What is the standard COBRA duration of coverage?**
- A. 12 months.**
  - B. 18 months.**
  - C. 24 months.**
  - D. 36 months.**
- 10. In the Mary scenario, with SL = 200k and agg spec = 50k, what is the reimbursement amount?**
- A. \$60k**
  - B. \$120k**
  - C. \$200k**
  - D. \$50k**

## Answers

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1. C
2. A
3. B
4. A
5. D
6. B
7. B
8. D
9. B
10. B

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## **Explanations**

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### 1. Which of the following is a benefit of a PPO?

- A. A narrow network and rigid referrals
- B. Requires referrals for all visits
- C. Large network, flexibility, and lower in-network costs**
- D. Higher out-of-network costs

PPO plans emphasize choice and access: you have a large network to choose from, can see many providers (often including specialists) without needing referrals, and you pay lower costs when you stay in-network. This combination—broad access, flexibility in selecting providers, and reduced costs for in-network care—best describes the main benefit. While you can go out-of-network, you'll typically face higher costs, which is why the focus is on the in-network savings and freedom to choose.

### 2. What does IBNR mean?

- A. Incurred But Not Reported**
- B. Incurred But Not Reconciled
- C. Immediate Benefit Not Reimbursed
- D. Insurance Before Not Reported

IBNR stands for Incurred But Not Reported. It captures losses that have already happened but haven't yet been reported to the insurer, so they aren't in the claims system yet. In reserve setting, this estimates the future claims that will be filed for events that have occurred, ensuring the insurer sets aside enough money to cover those unreported losses. For example, a claim from a recent accident might be filed weeks later; IBNR accounts for that delay. The other options don't describe this timing gap or use standard insurance terminology, so they don't fit.

### 3. What is the definition of a PPO?

- A. A plan with no out-of-network coverage.
- B. A health plan with a network of preferred providers offering lower costs in-network but allowing out-of-network care for a higher cost.**
- C. A tax-exempt account used to pay or reimburse eligible medical expenses.
- D. An employer-funded account that reimburses medical expenses tax-free.

A PPO is a health plan that uses a network of preferred providers who have negotiated discounted rates for members. The defining feature is lower costs when you stay in-network, while you still have the option to receive care from out-of-network providers, though at a higher price due to higher deductibles or coinsurance and often less favorable reimbursement. This aligns with a plan that offers lower in-network costs but allows out-of-network care at higher cost. Choices describing tax-advantaged medical accounts (like an HSA or FSA) refer to financial accounts, not the plan structure, and a plan with no out-of-network coverage would be more like an HMO or EPO, not a PPO.

#### 4. CHIP stands for?

- A. A federal-state program for uninsured children and pregnant women whose income is too high for Medicaid but can't afford private insurance.**
- B. A private health savings account program.**
- C. A requirement for hospital reporting.**
- D. An act of privacy in health data.**

CHIP is a joint federal-state program created to provide health coverage for uninsured children and pregnant women who fall between Medicaid and private insurance in terms of eligibility and affordability. It helps families with incomes too high for Medicaid but who can't afford private plans access essential care for kids—doctor visits, hospital services, vaccines, and preventive care. States administer CHIP within federal guidelines, with funding shared between the federal government and the state; eligibility rules and covered services can vary by state, but the overarching goal is to reduce the number of uninsured children by widening affordable coverage options. This program is not a private health savings account, not a hospital reporting requirement, and not a privacy-related act, each of which addresses different aspects of healthcare or data privacy.

#### 5. What happens to HRA balances when employment ends?

- A. They stay with the employee**
- B. They are transferred to the new plan**
- C. They are forfeited**
- D. They stay with the employer**

HRA funds are owned by the employer and are not portable to the employee. When employment ends, any unused balance generally does not transfer to a new employer or to the employee; it stays with the employer under the plan rules (often being forfeited by the employee and retained by the employer). The exact treatment is defined in the plan document, but the standard rule is that the balance remains with the employer.

#### 6. Which statement best describes the 1095-B form?

- A. It is a summary of the plan's expenditures for the year.**
- B. It shows an individual was offered coverage; fully insured carriers file it directly with the IRS and send it to the member.**
- C. It is used to enroll new dependents in the plan.**
- D. It lists the network's provider directory.**

The main idea here is that the 1095-B confirms a person had health coverage during the tax year. For plans that are fully insured, the insurance carrier generates the form, files it with the IRS, and sends a copy to the member. This form isn't about how much the plan spent, it isn't used to enroll dependents, and it isn't a provider directory. The purpose is to document minimum essential coverage for tax reporting, with the carrier handling the filing and delivery.

**7. If a disability occurs and a new plan starts during that period, what happens to the disability benefits?**

- A. You switch to the new plan immediately.**
- B. You stay on the prior plan until the disability ends or the benefit duration expires.**
- C. Benefits stop once the new plan begins.**
- D. Benefits are paid under both plans simultaneously.**

When a disability occurs and a new plan starts during that time, the disability benefits stay with the current plan. Benefits keep paying under the old plan until the disability ends or the old plan's benefit duration expires. This prevents gaps in payments and avoids coordinating two plans for the same disability. After the disability ends or the old benefit period runs out, the new plan would take over according to its rules if ongoing coverage is needed.

**8. What does a lifetime maximum cap in dental or health benefits represent?**

- A. The maximum annual payment for the year.**
- B. The maximum per-claim payment for a single service.**
- C. The cumulative cap for the orthodontic portion only.**
- D. The maximum lifetime limit on benefits across all services.**

The lifetime maximum cap is the total amount a health or dental plan will pay for all covered benefits over the insured's entire time with the policy. It isn't tied to a single year or a single service. Once the cumulative payments reach that limit, the plan stops paying for additional covered services for that person, unless there are special riders or exceptions. This is different from an annual cap, which resets each year, or a per-claim cap, which limits payment for one specific service. It's also distinct from a separate, orthodontic-only cap, which would apply only to orthodontic benefits, not all services across the plan.

**9. What is the standard COBRA duration of coverage?**

- A. 12 months.**
- B. 18 months.**
- C. 24 months.**
- D. 36 months.**

When you lose your job or experience another qualifying event, COBRA lets you continue your employer-sponsored health coverage for a limited period so you don't have an abrupt gap in protection. The standard duration of that continuation is one year and a half. This baseline period gives you time to arrange other coverage while keeping the same plan benefits. There are a few ways the period can extend in special situations: if a disability is verified, the continuation can last longer, and for some other qualifying events, the total can reach up to nearly three years. The exact extension depends on the specific circumstances and the plan's rules.

**10. In the Mary scenario, with SL = 200k and agg spec = 50k, what is the reimbursement amount?**

- A. \$60k
- B. \$120k**
- C. \$200k
- D. \$50k

In this scenario, reimbursement is determined by applying a deductible-like amount (the aggregate spec) to the total limit (the SL), then reimbursing a portion of what's left. First, subtract the aggregate spec from the SL to get the eligible amount:  $200,000 - 50,000 = 150,000$ . Then apply the reimbursement rate to that eligible amount. Here, 80% of 150,000 equals 120,000. So the reimbursement amount is 120,000. If you test other extremes, no deductible would give  $0.80 \times 200,000 = 160,000$ , and a deductible that wipes out the SL would give zero.

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## Next Steps

**Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.**

**As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.**

**If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at [hello@examzify.com](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://aamphase1.examzify.com>**

**We wish you the very best on your exam journey. You've got this!**

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