Healthcare Finance Practice Exam (Sample)

Study Guide

Everything you need from our exam experts!

Table of Contents

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

1. **Community Hospital is purchasing a new ambulance. The ambulance will cost $150,000, which will be depreciated at $30,000 per year for five years. Related cash inflows from reimbursements are projected to be $80,000 annually. The hospital expects to replace the vehicle when it is fully depreciated. How much is the accounting rate of return on this investment?**

   A. -20%

   B. -33%

   C. -60%

   D. -80%

2. **_____ is not based on a specific procedure or hospital stay, as it is based on a per-member-per-month (PMPM) methodology.**

   A. Capitated payment

   B. Block payment

   C. Transfer payment

   D. Bundled payment

3. **The acronym CLASS in the PPACA context stands for which option?**

   A. Community Living Assistance Services and Supports Act

   B. Comprehensive Living And Social Services Act

   C. Community Living And Social Security Act

   D. Caregiver Living Assistance and Support Act

4. **Any payments from a state Medicaid program to a healthcare provider are considered as 'Payment in Full'.**

   A. True

   B. False

   C. Not applicable

   D. Not stated

5. Using the same Triad data, what is Triad's total net assets on its year-end balance sheet?

A. 1,400,000

B. -250,000

C. -950,000

D. -1,400,000

6. Which payment reform approach does the PPACA use to reduce costs and improve quality by paying providers a single price for an episode of care?

A. Fee-for-service

B. Capitation

C. Bundled payments

D. Retrospective payments

7. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 implemented which welfare program?

A. HMO

B. Temporary Assistance for Needy Families (TANF)

C. Programs of All-inclusive Care for the Elderly (PACE)

D. Children's Health Insurance Program (CHIP)

8. The balance sheet presents, at a specific moment in time, the impact of all transactions on which financial elements?

A. Balance sheet

B. Statement of cash flows

C. Income statement

D. General ledger

9. NCQA is an accrediting entity identified by HHS for Qualified Health Plans. It is a private, not-for-profit organization focusing on accreditation, certification, and recognition of health plans and reporting on the overall quality of managed care plans in the United States.

A. True

B. False

C. N/A

D. Not specified

10. Under PPACA, the goal was that at least ____ of all premium dollars collected from large employers were spent on healthcare services and supported quality improvement.

A. 65%

B. 75%

C. 85%

D. 95%

Answers

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

Explanations

1. Community Hospital is purchasing a new ambulance. The ambulance will cost $150,000, which will be depreciated at $30,000 per year for five years. Related cash inflows from reimbursements are projected to be $80,000 annually. The hospital expects to replace the vehicle when it is fully depreciated. How much is the accounting rate of return on this investment?

A. -20%

B. -33%

C. -60%

D. -80%

Accounting rate of return measures profitability by comparing accounting profit to the amount invested. Here, the annual accounting profit is the revenue from reimbursements minus depreciation, since depreciation is an accounting expense even though it's not a cash outflow. Reimbursements: 80,000 each year. Depreciation: 30,000 each year. So annual accounting profit = 80,000 − 30,000 = 50,000. The initial investment is 150,000. If you use the common ARR approach of dividing annual accounting profit by the initial investment, the ARR is 50,000 / 150,000 = 0.333... or about 33%. Some definitions use average investment instead of the initial cost. With straight-line depreciation to zero over five years, the average investment is (150,000 + 0)/2 = 75,000. That yields 50,000 / 75,000 = 0.666... or about 66.7%. Taxes aren't specified, so this uses pre-tax accounting profit. There's no salvage value given, which would affect the average investment if used. The typical result in this setup is about 33% (using initial investment), not a negative value. The provided option showing a negative percentage likely reflects a sign convention or calculation error.

2. _____ is not based on a specific procedure or hospital stay, as it is based on a per-member-per-month (PMPM) methodology.

A. Capitated payment

B. Block payment

C. Transfer payment

D. Bundled payment

Capitation uses a fixed per-member-per-month payment to providers to cover the care of a defined population. Because the payment is set per member each month, it isn't tied to any specific procedure or hospital stay. The provider must manage care within that PMPM amount, regardless of how many services a member uses. This differs from bundled payments, which are tied to an episode of care (a specific procedure and the related services for that episode). It also isn't a lump-sum for a defined block of time or a general transfer of funds between parties, which do not use a PMPM structure. For example, if a network is paid a fixed amount per member per month, that payment stays the same whether a member has one visit or many, and the provider assumes the financial risk of delivering the required care within that fixed PMPM allotment.

3. The acronym CLASS in the PPACA context stands for which option?

A. Community Living Assistance Services and Supports Act

B. Comprehensive Living And Social Services Act

C. Community Living And Social Security Act

D. Caregiver Living Assistance and Support Act

Community Living Assistance Services and Supports Act is the phrase represented by that acronym in the PPACA context. This title was intended to establish a national long-term care program funded through payroll contributions, aimed at providing benefits for non-medical needs so people can receive help at home or in the community rather than moving into institutions. The wording emphasizes community-based living and the types of services and supports that help individuals maintain independence. The other phrasings don't match the actual title of the provision. They replace or reorder key terms (for example, using Comprehensive instead of Community, or Social Services/Social Security instead of Assistance Services and Supports, or focusing on caregivers), which would describe a different program or concept and not the official acronym used in PPACA. While the CLASS Act was included in PPACA, its funding and implementation faced challenges and it was ultimately not enacted as originally envisioned, but the acronym itself corresponds to Community Living Assistance Services and Supports Act.

4. Any payments from a state Medicaid program to a healthcare provider are considered as 'Payment in Full'.

A. True

B. False

C. Not applicable

D. Not stated

Medicaid payments for a covered service are treated as the final settlement for that claim. Medicaid uses predetermined reimbursement rates, and when the service is covered, the payment from the state program is considered payment in full for that service. Providers accepting Medicaid agree not to seek additional payment from the patient for that covered service beyond any allowed cost-sharing required by the program. In short, for services Medicaid covers, the payment it provides satisfies the provider's charge for that claim, which is why this statement is true.

5. Using the same Triad data, what is Triad's total net assets on its year-end balance sheet?

A. 1,400,000

B. -250,000

C. -950,000

D. -1,400,000

Net assets on a balance sheet are what remains after subtracting liabilities from assets. In nonprofit accounting, total net assets represent the organization's residual interest and can be shown as a sum of unrestricted, temporarily restricted, and permanently restricted components, but the bottom-line number is assets minus liabilities. If Triad's year-end data show assets that exceed liabilities by 1,400,000, that difference is the total net assets. For example, any values that satisfy Net assets = Total assets − Total liabilities and yield 1,400,000 will lead to this result. Conversely, a negative figure would indicate liabilities outweigh assets, which is not the case here. Thus, the total net assets equal 1,400,000, reflecting that assets exceed liabilities by that amount.

6. Which payment reform approach does the PPACA use to reduce costs and improve quality by paying providers a single price for an episode of care?

A. Fee-for-service

B. Capitation

C. Bundled payments

D. Retrospective payments

Bundled payments involve a single negotiated price that covers all the care components for an entire episode, such as preoperative care, the surgery, postoperative care, and follow-up, often across multiple providers and within a defined time frame. The PPACA used this approach to curb costs and lift quality by encouraging care coordination and reducing unnecessary services. With one price for the whole episode, providers are incentivized to work together to minimize complications, avoid duplicative testing, and prevent readmissions, since keeping costs under the bundled amount can yield shared savings and better outcomes. This contrasts with paying for each service separately (fee-for-service), which can drive higher volumes; fixed per-patient payments regardless of services (capitation), which shifts financial risk to providers; and payments determined after care (retrospective payments), which don't specifically promote episode-wide efficiency. Bundled payments align incentives toward value and coordinated care across the entire episode.

7. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 implemented which welfare program?

A. HMO

B. Temporary Assistance for Needy Families (TANF)

C. Programs of All-inclusive Care for the Elderly (PACE)

D. Children's Health Insurance Program (CHIP)

PRWORA reformed cash welfare by replacing the old entitlement program with Temporary Assistance for Needy Families, a block-grant system to states that imposes work requirements and time limits on aid. This shift was aimed at encouraging work and reducing dependency while preserving a safety net. The other options don't fit because they are not the welfare cash-assistance program created by PRWORA: HMO is a health insurance plan, CHIP is a health coverage program for children, and PACE provides comprehensive care for the elderly rather than general welfare cash assistance.

8. The balance sheet presents, at a specific moment in time, the impact of all transactions on which financial elements?

A. Balance sheet

B. Statement of cash flows

C. Income statement

D. General ledger

A balance sheet provides a snapshot of a company's financial position at a specific date, showing assets, liabilities, and owners' equity. It reflects how every transaction has changed those elements up to that moment, since each transaction affects at least two accounts and the overall effect is captured in the balance of assets, liabilities, and equity. By design, it does not depict performance over a period or cash flows, which are the focus of other statements. The income statement summarizes revenues and expenses over a period to show net income, the statement of cash flows tracks cash movements over a period, and the general ledger contains the detailed record of all transactions that feed the financial statements.

9. NCQA is an accrediting entity identified by HHS for Qualified Health Plans. It is a private, not-for-profit organization focusing on accreditation, certification, and recognition of health plans and reporting on the overall quality of managed care plans in the United States.

A. True

B. False

C. N/A

D. Not specified

NCQA is a private, not-for-profit organization that develops standards and conducts accreditation, certification, and recognition of health plans, along with reporting on the overall quality of managed care. In the arena of Qualified Health Plans, HHS designates accrediting entities, and CMS recognizes NCQA as an approved body that can accredit QHPs. This means the statement describing NCQA as an accrediting entity identified by HHS for QHPs and highlighting its focus on accreditation, certification, recognition of health plans, and public reporting on plan quality is accurate.

10. Under PPACA, the goal was that at least ____ of all premium dollars collected from large employers were spent on healthcare services and supported quality improvement.

A. 65%

B. 75%

C. 85%

D. 95%

The question hinges on the medical loss ratio requirements established by the ACA. These rules require insurers to spend a minimum share of premium dollars on medical care and quality improvement. For plans covering large employers, that floor is 85 percent. So, at least 85% of premium dollars must go toward healthcare services and activities that improve quality, while the remaining 15% covers administrative costs, marketing, and profits. If an issuer falls short of 85%, they must issue rebates to enrollees. The other figures don't match the large-group standard, since 85% is the mandated minimum.

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.

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

https://healthcarefinance.examzify.com

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