

Healthcare Finance 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. In addition to reducing costs and improving access and quality care for the Medicare beneficiary, the PPACA will help to tighten up and reduce the overpayments to the insurance companies.**
 - A. True**
 - B. False**
 - C. Partially true**
 - D. Not addressed**

- 2. If a hospital has current assets of \$4,000,000 and current liabilities of \$5,000,000, what is the current ratio?**
 - A. 0.8**
 - B. 1.25**
 - C. 0.5**
 - D. 2.0**

- 3. How is GAAP revenue recognized for patient services?**
 - A. Revenue is recognized when the service is delivered or the performance obligation is satisfied.**
 - B. Revenue is recognized when payment is received from the patient.**
 - C. Revenue is recognized when the bill is mailed.**
 - D. Revenue is recognized only when cash has cleared.**

- 4. Which term describes services and supplies that are appropriate to evaluation and treatment and consistent with standard of care, as defined by the American College of Medical Quality?**
 - A. Medical necessity**
 - B. Utilization management**
 - C. Managed care**
 - D. Preventative care**

5. 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)**

6. What are Intergovernmental Transfers (IGT) and Disproportionate Share Hospital (DSH) payments?

- A. IGT is transfers from state to federal programs to fund Medicaid payments; DSH payments provide additional funds to hospitals serving low-income populations.**
- B. IGT are direct federal grants to hospitals; DSH payments are loan programs for hospitals.**
- C. IGT funds private providers; DSH reduces payments to hospitals serving high-income populations.**
- D. IGT is a municipal tax; DSH is a charity care adjustment.**

7. _____ ultimately supports the recognition principles in that assumptions are explained that are part of the numeric information; these provide additional information to the person reading the financial reports.

- A. Auditing**
- B. A financial statement**
- C. Disclosure**
- D. GAAP**

8. Medicare Part B covers services and supplies, such as drugs and biologicals, that are usually self-administered by the patient.

- A. True**
- B. False**
- C. Not applicable**
- D. Not stated**

9. What is working capital, and why is it critical for hospital operations?

- A. Current assets minus current liabilities; ensures day-to-day liquidity and ability to meet short-term obligations.**
- B. Total assets minus total liabilities; measures long-term solvency.**
- C. Net income minus depreciation; indicates profitability.**
- D. Cash on hand minus debt; indicates cash reserves.**

10. Which statement describes the relationship between accounts payable practices and liquidity management?

- A. Delaying payments (higher DPO) can improve short-term liquidity but may affect supplier relationships and negotiating power.**
- B. Delaying payments reduces liquidity.**
- C. Higher DPO always damages credit rating with no benefit.**
- D. DPO has no impact on liquidity.**

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Answers

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

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Explanations

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1. In addition to reducing costs and improving access and quality care for the Medicare beneficiary, the PPACA will help to tighten up and reduce the overpayments to the insurance companies.

A. True

B. False

C. Partially true

D. Not addressed

The main idea here is Medicare payment reform: the PPACA includes provisions that curb excessive payments to private insurers that administer Medicare Advantage. Historically, MA plans received higher per-beneficiary payments than traditional Medicare costs due to their benchmark rules and risk-adjusted payments. The law tightens these overpayments by phasing in reductions, adjusting risk adjustment, and tying payments more closely to actual costs and plan quality. This part of the act aims to slow Medicare spending growth while maintaining beneficiary access and quality of care. So, the statement is true.

2. If a hospital has current assets of \$4,000,000 and current liabilities of \$5,000,000, what is the current ratio?

A. 0.8

B. 1.25

C. 0.5

D. 2.0

The current ratio tests liquidity by comparing short-term assets to short-term obligations. It is calculated as current assets divided by current liabilities. In this case, 4,000,000 divided by 5,000,000 equals 0.8. So the hospital has 0.8 times as many current assets as current liabilities, indicating tighter short-term liquidity. A ratio below 1 suggests potential difficulty meeting immediate obligations if they come due. The value 0.8 is the result you get from the given numbers; other provided figures would require different asset or liability amounts (for example, 1.25 would need more assets relative to liabilities, 0.5 would pair with 2,000,000 in assets and 4,000,000 in liabilities, and 2.0 would come from 10,000,000 in assets with 5,000,000 in liabilities).

3. How is GAAP revenue recognized for patient services?

- A. Revenue is recognized when the service is delivered or the performance obligation is satisfied.**
- B. Revenue is recognized when payment is received from the patient.**
- C. Revenue is recognized when the bill is mailed.**
- D. Revenue is recognized only when cash has cleared.**

Under GAAP, revenue recognition uses accrual accounting. For patient services, the provider recognizes revenue when the service is delivered and the performance obligation is satisfied—the moment care is provided. At that point, the revenue is recorded, and any expected payment from patients or payers is recorded as an account receivable, with allowances for doubtful accounts as needed. Cash collection timing is separate and does not determine when revenue is recognized. Why this fits: recognizing revenue at the point of service aligns with the transfer of control and fulfillment of the promised service, not with when a bill is issued or when cash is received. The other options reflect cash-basis timing (when payment is received, when the bill is mailed, or when cash clears), which does not meet GAAP accrual principles.

4. Which term describes services and supplies that are appropriate to evaluation and treatment and consistent with standard of care, as defined by the American College of Medical Quality?

- A. Medical necessity**
- B. Utilization management**
- C. Managed care**
- D. Preventative care**

Medical necessity is the idea that services and supplies are appropriate to evaluate and treat a patient and align with accepted standards of care. In practice, this means the care chosen is reasonable, helps the patient's condition, and is supported by evidence or professional guidelines. The American College of Medical Quality frames medical necessity around whether the intervention is appropriate to the diagnosis and consistent with standard of care, which is what payers and providers use to decide on coverage and appropriateness. For understanding, think of a test or treatment only when it is needed to diagnose or treat the condition and when it is in line with recognized guidelines. If a service is unlikely to benefit the patient or goes beyond what the guidelines deem appropriate for the condition, it would not meet medical necessity. Utilization management describes the processes used to review and approve or deny care based on necessity, cost, and appropriateness; it's a governance or process activity rather than the definition of the service itself. Managed care refers to the broader system of organizing financing and delivery of health care, often through networks or integrated plans. Preventative care refers to measures aimed at preventing disease or detecting it early, not the general criterion for whether a given service is appropriate to evaluation and treatment.

5. 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.

6. What are Intergovernmental Transfers (IGT) and Disproportionate Share Hospital (DSH) payments?

A. IGT is transfers from state to federal programs to fund Medicaid payments; DSH payments provide additional funds to hospitals serving low-income populations.

B. IGT are direct federal grants to hospitals; DSH payments are loan programs for hospitals.

C. IGT funds private providers; DSH reduces payments to hospitals serving high-income populations.

D. IGT is a municipal tax; DSH is a charity care adjustment.

Medicaid financing hinges on transfers between government levels and targeted hospital payments. Intergovernmental transfers are funds moved from state or local governments into the Medicaid program to enable the state to claim federal matching dollars for Medicaid payments. This mechanism helps states maximize the federal dollars they receive to support care for low-income populations. Disproportionate Share Hospital payments are additional payments to hospitals that treat a high share of low-income or uninsured patients, designed to help cover the costs of care that disproportionately burden those facilities. So, intergovernmental transfers provide the state-supplied funds that the Medicaid program uses to obtain federal matching funds, and disproportionate share payments channel some of that support directly to hospitals serving low-income populations. The other options misstate who provides the funds, who receives them, or the purpose of these programs.

7. _____ ultimately supports the recognition principles in that assumptions are explained that are part of the numeric information; these provide additional information to the person reading the financial reports.

A. Auditing

B. A financial statement

C. Disclosure

D. GAAP

Disclosures provide the explanations and context that underlie the numbers in financial reports. They describe the assumptions, estimation methods, and accounting policies used to recognize and measure items, so readers understand why figures look the way they do. This clarifies recognition principles by making explicit the judgments behind the numbers and the information needed to interpret them. Auditing checks accuracy but isn't the mechanism for explaining assumptions; a financial statement presents the data, while disclosures add the notes that give the reader necessary context. GAAP sets the rules for recognition, but the explanations that help readers understand those rules come through disclosures.

8. Medicare Part B covers services and supplies, such as drugs and biologicals, that are usually self-administered by the patient.

A. True

B. False

C. Not applicable

D. Not stated

Medicare coverage for drugs depends on how they're used and where they're administered. Part B covers drugs and biologicals that are given in a clinical setting by a healthcare professional—things like chemotherapy drugs administered intravenously, injectable biologics in a physician's office, or vaccines administered during a visit. It does not cover medications that patients typically self-administer at home. Those self-administered drugs are generally handled under Part D, the prescription drug benefit. So the statement is not correct because Part B is about drugs given by a clinician, not those usually self-administered. For example, an infusion chemotherapy is Part B, while a pill you take at home for blood pressure would be Part D.

9. What is working capital, and why is it critical for hospital operations?

- A. Current assets minus current liabilities; ensures day-to-day liquidity and ability to meet short-term obligations.**
- B. Total assets minus total liabilities; measures long-term solvency.**
- C. Net income minus depreciation; indicates profitability.**
- D. Cash on hand minus debt; indicates cash reserves.**

Working capital measures day-to-day liquidity by looking at the difference between current assets (cash, receivables, inventories, and other short-term assets) and current liabilities (payments due within the year, such as payroll, vendor invoices, and short-term debt). This gap shows how much short-term funding is readily available to keep hospital operations running smoothly, pay staff, buy supplies, and cover utilities without needing urgent financing. In a hospital, where payroll and supply costs are high and timing of cash inflows (like patient billings) can be volatile, maintaining adequate working capital is essential to avoid cash shortfalls that could disrupt patient care or damage supplier relationships. The other definitions don't capture this near-term liquidity picture. Total assets minus total liabilities yields equity, i.e., net worth or solvency over the long term, not the operational liquidity. Net income minus depreciation reflects profitability and non-cash charges, not the immediate ability to meet short-term obligations. Cash on hand minus debt shows a high-level view of cash reserves versus debt but ignores other current assets and liabilities that affect day-to-day payables and cash flow.

10. Which statement describes the relationship between accounts payable practices and liquidity management?

- A. Delaying payments (higher DPO) can improve short-term liquidity but may affect supplier relationships and negotiating power.**
- B. Delaying payments reduces liquidity.**
- C. Higher DPO always damages credit rating with no benefit.**
- D. DPO has no impact on liquidity.**

Extending the time you take to pay suppliers changes how cash sits in the business. When payments are delayed, cash stays in hand longer, which improves short-term liquidity because more cash is available to meet immediate needs. This is a common working-capital tactic to smooth cash flow and can boost liquidity metrics in the near term. But pushing payments out too far can strain supplier relationships, possibly leading to less favorable terms, price increases, or even supply disruptions, which in turn can hurt long-term financial flexibility. So the statement is highlighting the practical trade-off: a short-term liquidity boost from delaying payments, balanced against potential negative effects on suppliers and future negotiating power. The other options misstate the relationship: delaying payments can improve liquidity, not reduce it in the short term; higher DPO isn't inherently harmful to credit rating with no benefit, and DPO can influence liquidity, not be irrelevant to it.

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!

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