

HFMA BUSINESS OF HEALTH CARE PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

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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. What percentage of Americans were uninsured according to recent estimates?**
 - A. 4%
 - B. 9%
 - C. 14%
 - D. 6%

- 2. What constitutes the direct or variable costs in a health plan?**
 - A. Marketing and administrative costs
 - B. Claims and case management costs
 - C. Exempt staff salaries
 - D. Equipment costs that vary with volume

- 3. What constitutes net revenue for a healthcare provider?**
 - A. Total billed charges without any deductions
 - B. Billed charges minus discounts, charity care, and bad debt
 - C. Revenue generated after all patient payments
 - D. Charges adjusted for inflation and market rates

- 4. Why are budgets considered a tool for managers?**
 - A. They guarantee financial success
 - B. They are definitive targets that must be met
 - C. They help assess progress towards strategic goals
 - D. They are unnecessary for strategic planning

- 5. What is the primary reason health insurers need to maintain relationships with cost-competitive providers?**
 - A. To decrease their administrative costs
 - B. To determine premium pricing for customers
 - C. To enhance customer service
 - D. To increase paperwork efficiency

- 6. In regard to provider networks, what do insurers seek to manage healthcare costs?**
- A. Increased administrative costs
 - B. Discounts on provider fees
 - C. Higher patient premiums
 - D. Broader provider networks
- 7. What is the primary focus of facility providers in healthcare?**
- A. Handling administrative tasks
 - B. Providing surgical procedures
 - C. Offering direct patient care in a facility setting
 - D. Conducting research in medical labs
- 8. What is the recommended minimum level for the current ratio?**
- A. 1.0
 - B. 1.5
 - C. 2.0
 - D. 2.5
- 9. What is the result of setting prices below the full cost of service?**
- A. Increased patient volume
 - B. Guaranteed profitability
 - C. Greater competition with other healthcare providers
 - D. Quickening financial loss
- 10. What type of payment encourages providers to keep operating expenses under control?**
- A. Fee-for-service
 - B. Capitation
 - C. Per procedure
 - D. Per diem

Answers

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

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Explanations

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1. What percentage of Americans were uninsured according to recent estimates?

- A. 4%
- B. 9%**
- C. 14%
- D. 6%

Recent estimates indicate that around 9% of Americans were uninsured. This percentage reflects ongoing challenges in the health care system, including factors such as access to affordable insurance, variations in state policies, and economic conditions affecting individuals' ability to obtain coverage. The 9% figure is significant as it provides insight into the proportion of the population that lacks health insurance, influencing public health initiatives, policy decisions, and resource allocation within the healthcare industry. Tracking changes in the uninsured rate is crucial for assessing the effectiveness of health care reforms and initiatives aimed at improving coverage accessibility and reducing barriers for individuals seeking insurance.

2. What constitutes the direct or variable costs in a health plan?

- A. Marketing and administrative costs
- B. Claims and case management costs**
- C. Exempt staff salaries
- D. Equipment costs that vary with volume

Claims and case management costs are considered direct or variable costs in a health plan because they fluctuate with the number of members and the volume of services utilized. As more individuals enroll in the health plan or as their healthcare needs change, the costs associated with processing claims and managing care will directly increase or decrease. This relationship highlights how variable costs are tied to the level of activity within the health plan, making these expenses essential for managing the financial health of the organization. In contrast, marketing and administrative costs are typically classified as fixed costs since they generally do not change with the volume of services provided. Exempt staff salaries and equipment costs that vary with volume fall into different categories. Salaries tend to be fixed costs unless they vary significantly based on staff engagement levels, while equipment costs that fluctuate with volume could also be viewed through the lens of variable costs if they directly align with service demand. However, claims and case management are more directly linked to the delivery of care and member utilization, making them the best fit for direct or variable costs within a health plan.

3. What constitutes net revenue for a healthcare provider?

- A. Total billed charges without any deductions
- B. Billed charges minus discounts, charity care, and bad debt**
- C. Revenue generated after all patient payments
- D. Charges adjusted for inflation and market rates

Net revenue for a healthcare provider is calculated as billed charges minus discounts, charity care, and bad debt. This definition captures the true income a healthcare provider expects to receive for services rendered, accounting for various deductions that impact the actual revenue collected. Billed charges represent the initial amount that a healthcare provider charges for services. However, this figure does not reflect the realistic revenue that will be realized. Deductions such as contractual adjustments, which arise from agreements with insurers, as well as charity care offered to patients who cannot pay, significantly reduce the revenue the provider will ultimately collect. Furthermore, bad debt accounts for uncollectible accounts resulting from patient non-payment. When looking at the other choices, total billed charges without deductions would not provide a realistic picture of revenue and fails to consider what the provider will actually receive. Revenue generated after all patient payments does not accurately represent net revenue, as it does not account for adjustments and deductions that should be factored in before determining the final net revenue. Charges adjusted for inflation and market rates do not align with how net revenue is calculated; instead, net revenue is concerned with actual transactions and recognized losses rather than adjustments for external factors like inflation.

4. Why are budgets considered a tool for managers?

- A. They guarantee financial success
- B. They are definitive targets that must be met
- C. They help assess progress towards strategic goals**
- D. They are unnecessary for strategic planning

Budgets are considered a crucial tool for managers because they help assess progress towards strategic goals. By establishing a budget, managers create a financial framework that outlines expected revenues and expenditures for a specific period. This framework allows them to compare actual performance against budgeted figures, providing valuable insights into how well the organization is moving towards its strategic objectives. Budgets also facilitate the identification of variances and trends, enabling managers to make informed decisions based on financial data. This ongoing assessment allows for adjustments to ensure that resources are aligned with the organization's goals, ultimately leading to improved financial performance and strategic alignment. In contrast to the other options, budgets do not guarantee financial success, nor are they rigid targets that must be met without flexibility. They also play a significant role in strategic planning, making the notion that they are unnecessary for this purpose incorrect.

5. What is the primary reason health insurers need to maintain relationships with cost-competitive providers?

- A. To decrease their administrative costs
- B. To determine premium pricing for customers**
- C. To enhance customer service
- D. To increase paperwork efficiency

Health insurers maintain relationships with cost-competitive providers primarily to determine premium pricing for their customers. This relationship is crucial because the costs of healthcare services directly influence the premiums that insurers set for their plans. By collaborating with providers who offer competitive rates, insurers can better manage their overall costs, allowing them to offer more attractive premiums to potential members. This strategy not only enhances the insurer's market position but also makes healthcare more accessible to consumers as premium rates can remain lower when costs are controlled. The significance of these relationships extends to understanding market trends, negotiating better pricing, and ensuring that they can offer a range of services while maintaining profitability. Such partnerships foster a network that can improve overall efficiency in healthcare delivery. Choosing providers based on cost competitiveness also aligns with value-based care approaches, where the focus shifts towards the quality of care provided relative to costs. Hence, while decreasing administrative costs, enhancing customer service, and increasing paperwork efficiency are important aspects of healthcare management, they are secondary to the core necessity of managing premium pricing through strategic relationships with cost-effective providers.

6. In regard to provider networks, what do insurers seek to manage healthcare costs?

- A. Increased administrative costs
- B. Discounts on provider fees**
- C. Higher patient premiums
- D. Broader provider networks

Insurers focus on negotiating discounts on provider fees to effectively manage healthcare costs within their networks. By securing lower rates for services, they can help control the overall cost of care, which is critical in a healthcare landscape where expenses are continually rising. These discounts allow insurers to offer more competitive premiums and better value to their members while also supporting the sustainability of their plans. Discounts on provider fees benefit both insurers and consumers. Insurers can pass some of these savings onto their members in the form of lower premiums, copayments, or deductibles, making healthcare more accessible. This strategy also incentivizes members to use in-network providers, leading to greater cost efficiency for the insurer overall. In contrast, increased administrative costs may arise from the management of complex provider networks and negotiations, which does not directly contribute to cost savings. Higher patient premiums would not help in managing costs effectively; instead, they would reduce affordability for consumers. A broader provider network can offer more choices to consumers but may lead to higher overall costs if it includes providers with higher fee structures without negotiated discounts. Therefore, focusing on discounts on provider fees is a clear strategy used by insurers to manage and contain healthcare costs.

7. What is the primary focus of facility providers in healthcare?

- A. Handling administrative tasks
- B. Providing surgical procedures
- C. Offering direct patient care in a facility setting**
- D. Conducting research in medical labs

The primary focus of facility providers in healthcare is on offering direct patient care in a facility setting. This encompasses a range of services provided to patients, including routine medical treatments, emergency care, rehabilitation, and other forms of care that take place within facilities such as hospitals, outpatient clinics, and long-term care centers. The key aspect here is the direct interaction with patients, as facility providers are typically licensed practitioners who deliver care and support to individuals seeking medical assistance. While handling administrative tasks is essential for the efficient operation of any healthcare facility, it is not the primary focus of facility providers. Such administrative roles support patient care but do not constitute the main objective of provider services. Similarly, while providing surgical procedures is an important function within many healthcare facilities, it is just one aspect of the broader responsibility of delivering comprehensive patient care. Lastly, conducting research in medical labs is vital for advancing medical knowledge and treatment options, but it is generally not the primary role of facility providers, who are more focused on immediate patient care rather than research activities.

8. What is the recommended minimum level for the current ratio?

- A. 1.0
- B. 1.5
- C. 2.0**
- D. 2.5

The recommended minimum level for the current ratio is widely regarded as being around 2.0. This ratio is an important financial metric used to assess a company's short-term liquidity and ability to pay its current liabilities with its current assets. A current ratio of 2.0 means that for every dollar of current liabilities, there are two dollars in current assets, providing a cushion to cover those liabilities. A ratio at this level indicates a healthy balance between assets and liabilities, suggesting that the organization is well-positioned to meet its short-term obligations without experiencing financial strain. It reflects prudent financial management and is often considered a benchmark for stability in the health care industry, where cash flow can be unpredictable due to various factors such as patient volume and reimbursement timelines. Many analysts and financial professionals advocate for a ratio around this level to ensure that organizations can comfortably absorb any fluctuations in revenue or unexpected expenses. While variations might occur depending on the specific industry or economic factors, a current ratio of 2.0 is often seen as a standard target in practice.

9. What is the result of setting prices below the full cost of service?

- A. Increased patient volume
- B. Guaranteed profitability
- C. Greater competition with other healthcare providers
- D. Quickening financial loss**

Setting prices below the full cost of service leads to a situation where the organization is not covering its expenses related to providing that service. This means that despite potentially attracting more patients, the revenue generated from those patients will not be sufficient to cover operational costs, leading to financial losses. When prices are set below full costs, the organization must subsidize the shortfall from other revenue sources or reserves, which is not sustainable in the long term. This approach can lead to a quickening of financial loss as each service provided at a loss further exacerbates the financial health of the organization. Over time, this scenario may force the organization to make difficult decisions, such as cutting services, reducing staff, or even facing insolvency. In contrast, increasing patient volume does not guarantee profitability if the service isn't priced to cover costs. Similarly, while lower prices might create competitive advantages, this competitiveness can translate into losses when a broader financial strategy is not in place. Lastly, while greater competition could arise from lower prices, it does not inherently lead to sustainable operational success. Ultimately, setting prices below costs places the organization on an unsustainable path that leads directly to increasing financial challenges.

10. What type of payment encourages providers to keep operating expenses under control?

- A. Fee-for-service
- B. Capitation**
- C. Per procedure
- D. Per diem

Capitation is a payment model that effectively encourages providers to manage operating expenses in a controlled manner. Under this model, healthcare providers receive a fixed amount of money per patient enrolled over a specific period, regardless of the number of services provided. This incentivizes providers to focus on preventive care and efficient management of patient needs since they benefit financially when they can minimize costs while still maintaining quality care. By receiving a predetermined payment per patient, providers are motivated to keep their operating expenses low, as they will not earn additional income for extra services performed. This model encourages practices that promote patient wellness and reduce unnecessary procedures, fostering the development of effective and efficient healthcare systems. Capitation can lead to more sustainable financial practices in healthcare, as providers learn to allocate resources wisely to stay within budget.

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://hfmabusinesshealtcare.examzify.com>

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

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