

Red Flag Rules

Many practices are asking “What is this Red Flag Rule?”

The “Red Flag Rules” are part of the Fair and Accurate Credit Transactions (FACT) Act of 2003. The Rule applies to financial institutions and creditors. It states that organizations must have a program in place to protect the identity of their customers. Now we need to know what the Federal Trade Commission means by a creditor. A creditor is defined as a business or organization that regularly provides goods or services first and then allows their customers (or patients) to pay later. Healthcare providers fall within this definition, along with attorneys, and other professionals. Many different types of organizations are covered by the Red Flag Rules.

The Federal Trade Commission states that organizations must have an Identity Theft Prevention Program in place by November 1, 2009. The FTC has published a booklet “Fighting Fraud with the Red Flags Rule: A How-To Guide for Business”. This booklet offers advice on the rule and has step-by-step instructions to help the organization write their program.

The Program has four different requirements:

1. Identify (Identify the risks of identity theft)
2. Detect
3. Mitigate/Prevent
4. Update the program periodically

Identity thieves use a person’s personal information to receive medical treatment, open new accounts, and can wreck havoc on individuals. Thus the reason for the program is to help detect warning signs or “Red Flags” of identity theft. These may include suspicious activity on patient’s accounts, not presenting a current insurance card, or a card with a different name on the card, changing addresses, or patients notifying the practice that they were never seen in the office but did receive an explanation of benefits.

Remember the program must be in place by November 1, 2009.

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