

Identity Theft and Red Flags Rule



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The Federal Trade Commission has implemented red flag rules, which impose certain duties on financial institutions and creditors with the goal of curtailing the growing issue of consumer identity theft.

Physicians and the medical community will also be required under federal law to assist the government in detecting, preventing and mitigating "red flags" of identity theft.

What Is The Red Flags Rule?

A red flag is defined by the FTC as a "pattern, practice, or specific activity that indicates the possible existence of identity theft." At a minimum, the red flag rules require that the program provide policies and procedures to:

- Identify relevant red flags and incorporate them into the program.
- Detect red flags in consumer/patient accounts.
- Respond appropriately to any red flags detected in consumer /patient accounts.
- Ensure the program is updated periodically to reflect changes in risks to consumers/ patients, and the safety and soundness of the creditor / physician from identity theft.

Here's how it works:

Creditors which were originally meant to be financial institutions, now means any business which extends credit, including the medical community.

Under the red flag rules, any businesses who are considered to be a creditor or who offer or maintain covered accounts must develop, implement and maintain a written identity theft prevention program designed to detect, prevent and mitigate identity theft or face hefty fines of \$1,000.00 or more.

If a physician renders medical services to a patient without taking full payment at the time of service but rather defers payment by billing the patient, the physician is a creditor under the red flag rules regardless of whether the physician receives payment from the insurance company. But the acceptance of credit cards as a form of payment does not, in and of itself, deem someone a creditor.

Secondly, the physician must offer or maintain covered accounts for patients.

Under the rules, a covered account is one in which a creditor offers or maintains for personal, family or household purposes and that involves multiple payments or transactions, and any other account that the creditor offers or maintains for which there is a reasonably foreseeable risk to patients of identity theft.

Additionally, the creditor must have a continuing relationship with the patient before the patient's account is considered a covered account. That means a one-time patient would not constitute a continuing relationship.

In applying this definition to physicians, all patient accounts are offered for personal, family, or household purposes and all such

accounts contain personal identification information for which there is a foreseeable risk of identity theft.

Final rules and guidelines implemented in Section 114 of FACTA call out 5 categories of Red Flags which illustrate the types of activities that need to be identified:

- Alerts, notifications or warnings from a Consumer Reporting Agency
- Suspicious documents
- Suspicious personal identifying information
- Unusual use of, or suspicious activity related to, the covered account
- Notice from customers, victims of identity theft, law enforcement authorities, or other persons regarding possible identity theft in connection with covered accounts held by the financial institution or creditor.

For more information on Red Flag Rules or to find out if your business is in compliance- 877-643-3287

Remember Fines start at \$1,000.00 for non-compliance