



News Alert



FTC TO DELAY “RED FLAGS” ENFORCEMENT UNTIL NOVEMBER 1, 2009

Moving an August 1, 2009 deadline, the Federal Trade Commission will wait until November 1, 2009 to enforce a provision of the “Red Flags” Rule that requires Pharmacies, Physicians and Hospitals to adopt written plans for tracking and responding to indicators of identify theft in their billing operations.

PR&S Pharmacy Services will have available, to Retail Pharmacies, a written **Identity Theft Prevention Program Guideline**. For more information, call J. Scott Weaver, R.Ph. at 1-800-338-3688, Ext. 141.

Below is an article taken from the Summer 2009 PR&S Alert Newsletter, which explains the “Red Flags” Rule.

THE “RED FLAGS” RULE

What Pharmacies Need to Know About Complying with New Requirements for Fighting Identity Theft

The expression “Red Flag” signals “**Danger: Be alert to problems ahead.**” For millions of consumers every year, identity theft is more than a threat—it is their reality. Businesses often bear the biggest part of the monetary damage from identity theft. But the economic, psychological and emotional harm to victims can be devastating. When the identity theft involves health information, the consequences can be particularly severe!

It is everyone’s responsibility to do what they can to fight identity theft. Healthcare providers can be the first to spot the **Red Flags** that signal the risk of identity theft, including suspicious activity indicating that identity thieves may be using stolen information likes names, Social Security numbers, insurance information, account numbers and birth date to open new accounts or get medical services.

Under the **Red Flags** Rule, certain businesses, organizations and healthcare providers—including Pharmacies—are required to spot and heed the **Red Flags** that often can be the telltale signs of identify theft. Pharmacies that regularly offer patient charge accounts, also known as house accounts, must develop a written **Red Flags** Program to comply with the new **Red Flags** Rule. This program must be put into effect by August 1, 2009.

The definition of “creditor” is broad and includes businesses that regularly defer payment for goods or services and bill customers later. “Healthcare providers are creditors if they bill consumers after their services are completed,” according to the Federal Trade Commission. Most Pharmacies that regularly offer their patient charge accounts fall under a category of covered accounts, which the FTC calls consumer accounts. Consumer accounts are primarily for personal, family or household purposes that involve or are designed to permit multiple payments or transactions.

The Rule does not specifically outline what the Pharmacy’s **Red Flag** program must look like. Instead, it gives the Pharmacy flexibility to implement a program that best suits the needs of the business, as long as it meets the Rule’s requirements.

The best starting point for developing a program is the Guidelines issued with the **Red Flags** Rule, available at www.ftc.gov/os/fedreg/2007/november/071109redflags.pdf

(The Guidelines are on pages 63773-63774 of the document.) Said Guidelines list the issues you must consider in developing and maintaining a program appropriate for the Pharmacy’s business. The Pharmacy Owner/Manager should also draw on his/her own experience and knowledge about identity theft risks in developing the program. There are four basic steps to designing a program to comply with the Rule:

1. Identify relevant **Red Flags**
2. Detect **Red Flags**
3. Prevent and mitigate identity theft
4. Update the program periodically

The program must also spell out how it will be administered. The program should be appropriate to the size and complexity of the Pharmacy, as well as, the nature of the business operations.

The Guidelines also describe the categories of warning signs—**Red Flags**—that the program must identify and address with regard to possible identity theft in connection with covered accounts. Said categories are as follows:

- Alerts, notifications or warnings from a consumer reporting agency
- Suspicious documents
- Suspicious personally identifying information
- Suspicious activity related to a covered account
- Notices from customers, victims of identity theft, law enforcement authorities or other entities

Once the relevant **Red Flags** are identified, the Pharmacy must establish policies and procedures to detect them in their day-to-day operations. NCPA posted questions and answers in the Members Only section of their website, as well as, provided a sample policy.

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