

PIERCING OF A DOCTOR'S "CORPORATE VEIL" HOLDS DOCTOR PERSONALLY LIABLE FOR LAWSUIT DAMAGES

Case Study

A doctor's failure to maintain an effective Asset Protection System allowed a judgment of \$18,800,000 to become a personal liability against all his assets.

Case Overview

A dentist in Pennsylvania was sued by the United States of America under the False Claims Act for Medicare payments made to his practice and to a Dental Services Corporation he owned.

The doctor had attended a seminar on Medicare billing procedures. Upon the advice of a health care professional, in which he employed, the doctor instructed the doctors working through his dental service company to code for an additional procedure, a "limited consultation," for each dental examination the "employed" dentists made through the doctor's dental services company.

The total additional Medicare claims paid by Medicare to the dental services company totaled \$130,720 during the time period in question.

The United States sued the doctor's practice, his dental service company, his partnerships, the doctor, and his wife, who was the "figure head" President for the dental services company. The suit called for recovery of claims, damages and the imposition of civil penalties for each false claim submitted.

To collect the judgment, The United States sought to pierce the corporate veil of the doctor's practice, his dental services corporation, and his partnerships on the theory that all the business enterprises were merely the alter ego of the doctor.

Piercing the corporate veils would allow the plaintiff to seek judgment from the total assets of all enterprises of the doctor, not just his practice and dental services company assets, which were nominal.

Case Resolution

The Court held the United States was entitled to a judgment under the False Claims Act against the doctor, his practice, the dental services company, and all other business enterprises owned by the doctor, both jointly and severally through the piercing of the corporate veils.

The Court held, "There can be no question that corporate formalities were not observed; that significant inter-entity transactions were not documented; and that the corporations and partnerships were treated as a single unit and the alter ego of [doctor]."

The Court continued, "Finally, it is clear that the [dental services company] was undercapitalized and that its revenues were siphoned off from other ventures. Accordingly, I conclude that the "corporate veil" should be pierced and that the individual [doctor] and all the business entities should be liable both jointly and severally."

The total judgment and penalties totaled over \$18,800,000.



"We had not thought much about asset protection until lately, but once we understood the critical nature of asset protection, 'quick' was not soon enough to get it in place and operational. The people at Travis Bowen PC are absolute bulldogs in making sure the design and implementation of our Asset Protection System stayed on course and on time for its completion."

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