

CAUSE NO. 352-375149-26

THE STATE OF TEXAS	§	IN THE DISTRICT COURT
	§	
<i>Plaintiffs,</i>	§	
	§	
v.	§	
	§	
YUEXI CHEN;	§	
DAVID SUN,	§	
SMILE ALLIANCE PLLC d/b/a HAPPY	§	
TEETH DENTAL CENTER;	§	
EAST DALLAS FAMILY DENTAL PLLC	§	
d/b/a STADIUM DENTAL;	§	
OAK CLIFF TOOTH FAIRY PLLC d/b/a	§	_____ JUDICIAL DISTRICT
OAKCLIFF STAR DENTAL d/b/a SMILE	§	
METROPLEX;	§	
IRVING TOOTH FAIRY PLLC d/b/a	§	
APPLE DENTISTRY;	§	
MESQUITE TOOTH FAIRY PLLC d/b/a	§	
DENTAL ZANIA;	§	
ELLIS TOOTH FAIRY PLLC d/b/a ELLIS	§	
DENTAL;	§	
CRACKARONI & TEETH LLC;	§	
DENTELLIGENCE PLLC;	§	
SUNLIT FAMILYDENTAL PLLC;	§	
GARLAND TOOTH FAIRY d/b/a PARK	§	
WEST DENTAL;	§	
	§	
<i>Defendants.</i>	§	TARRANT COUNTY, TEXAS

**STATE OF TEXAS’S ORIGINAL PETITION**

This is a case against two dentists who scammed Texas Medicaid for millions of dollars by paying kickbacks to so-called marketers in exchange for patient referrals. The dentists, through a web of management companies and dental practices, ran a scheme to pay huge amounts of money for “marketing” services that were never rendered. Instead, the marketers funneled vulnerable Medicaid patients, including young children, to the clinics by offering them and their families gift cards, cash, and other financial incentives.

Dentists and dental offices Yuexi Chen, David Sun, Smile Alliance PLLC d/b/a Happy Teeth Centers (“Happy Teeth”), East Dallas Family Dental PLLC d/b/a DFW Stadium Dental PC (“Stadium Dental”), Oak Cliff Tooth Fairy PLLC d/b/a Oakcliff Star Dental d/b/a Smile Metroplex (“Oakcliff Star Dental”), Irving Tooth Fairy PLLC d/b/a Apple Dentistry (“Apple Dentistry”), Mesquite Tooth Fairy PLLC d/b/a Dental Zania (“Dental Zania Mesquite”), Ellis Tooth Fairy PLLC d/b/a Ellis Dental (“Ellis Dental”), Crackaroni & Teeth LLC (“Crackaroni”), Dentelligence PLLC (“Dentelligence”), Sunlit Family Dental PLLC (“Sunlit Family Dental”), Garland Tooth Fairy d/b/a Park West Dental (“Park West Dental”) (collectively, “Defendants”) paid Francis “Frank” Villanueva (“Frank Villanuva”) of Dental Axis, LLC (“Dental Axis”) and Bryan Lopez of Dental Market One, LLC (“DMO”) (collectively, “Marketers”) on a per-patient basis to solicit Medicaid beneficiaries. Defendants then submitted tainted claims to Medicaid and unlawfully obtained reimbursement to which they were not entitled.

The State of Texas, by and through the Office of the Attorney General brings this civil enforcement action for civil remedies and penalties pursuant to the Texas Health Care Program Fraud Prevention Act (“THFPA”), TEX. HUM. RES. CODE, Chapter 36, and respectfully shows the Court as follows:

## **I. BACKGROUND**

1. First, Defendants entered into and maintained arrangements under which they knowingly paid the Marketers on a per-patient basis for the recruitment of Medicaid beneficiaries to Defendants’ dental clinics. Defendants’ per-patient kickbacks ensured a steady stream of Medicaid beneficiaries and enabled Defendants to recover the high cost of the marketing payments through claims submitted to Texas Medicaid.

2. Defendants paid substantial invoices from the Marketers, including as much as \$56,470 invoiced in a single month, for purported “surveys and reviews,” but on information and belief, the Marketers never conducted surveys, obtained patient reviews, or provided any survey data or reports to Defendants whatsoever. Defendants knowingly paid the Marketers on the understanding that those funds were for the purpose of soliciting Medicaid patients.

3. Second, Defendants facilitated and caused an unlawful inducement scheme in which the Marketers paid kickbacks in the form of cash, gift cards, and other items of value to Medicaid beneficiaries to induce them to obtain services from Defendants’ dental clinics.

4. This unlawful scheme involved dental services provided to Medicaid beneficiaries, including, but not limited to, preventative, diagnostic, and other procedures offered at Happy Teeth, Stadium Dental, Oakcliff Star Dental, Apple Dentistry, Dental Zania Mesquite, Ellis Dental, and Park West Dental (collectively, “Defendant Dental Clinics”). These services are referred to collectively as the “Covered Services.”

5. The THFPA identifies various “unlawful acts” related to conduct against the Texas Medicaid program. TEX. HUM. RES. CODE § 36.002. Among other things, it incorporates the Texas Anti-Kickback Statute, TEX. HUM. RES. CODE. § 32.039(b), which prohibits any arrangement in which remuneration is offered, paid, solicited, or received, directly or indirectly, to induce or reward the provision of services reimbursable under Medicaid, including remuneration in the form of cash, gifts, gift cards, or other items of value. TEX. HUM. RES. CODE. § 36.002(13).

6. Through the schemes described above and in further detail below, Defendants knowingly committed unlawful acts under the THFPA by, among other things: (1) paying the Marketers on a per-patient basis for the referral and recruitment of Medicaid beneficiaries to Defendant Dental Clinics; (2) facilitating and causing the Marketers to provide unlawful remuneration, including cash and other items of value, to Medicaid beneficiaries to induce them to obtain Covered Services at Defendant Dental Clinics; and (3) knowingly taking actions that permitted Defendants to receive payment from Texas Medicaid for Covered Services that were not authorized and tainted by kickbacks.

7. At all relevant times, Defendants were enrolled Medicaid providers and were required to comply with state laws prohibiting kickbacks and inducements. Defendants knew that their per-patient payment arrangements with the Marketers and the resulting inducements to Medicaid beneficiaries violated Texas law.

8. Defendants nevertheless structured and maintained these arrangements for the purpose of increasing Medicaid patient volume, maximizing Medicaid reimbursements, and unlawfully enriching themselves through tainted claims submitted to Texas Medicaid for Covered Services.

9. Accordingly, the State seeks all remedies authorized under the THFPA. TEX. HUM. RES. CODE. § 36.052.

## **II. DISCOVERY CONTROL PLAN**

10. The State intends to conduct discovery in this case under a Level 3 Discovery Control Plan under Texas Rule of Civil Procedure 190.4.

### **III. STATEMENT OF RELIEF**

11. The State seeks monetary relief over \$1,000,000. Tex. R. Civ. P. 47(c)(4).

### **IV. THE PARTIES**

#### **A. Plaintiff**

12. Plaintiff, the State of Texas, by and through the Office of the Attorney General of Texas, brings this enforcement action pursuant to the THFPA.

#### **B. Defendants**

13. Defendants consist of dental providers, management entities, and the dental clinics they owned and operated. At all relevant times, Defendants operated in Texas, participated in the Texas Medicaid program, and engaged in the unlawful acts alleged herein.

##### ***i. Provider Defendants***

14. Yuexi Chen (“Dr. Chen”) is a dentist licensed to practice in the State of Texas and resides at 1512 Toucan Dr., Little Elm, TX 75068. She is an officer and member of each of the defendant management entities and Defendant Dental Clinics, except for Defendant Sunlit Family Dental PLLC, either directly or indirectly through individual affiliation or entity ownership or control. Service of process can be effectuated on Defendant Yuexi Chen by serving her at her residence located at 1512 Toucan Dr., Little Elm, TX 75068, or wherever she may be found.

15. David Sun (“Dr. Sun”) is a dentist licensed to practice in the State of Texas and resides at 3916 Lucan Ln., The Colony, TX 75056. He is an officer and member of each of the defendant management entities and Defendant Dental Clinics, except for Defendant Dentelligence PLLC, either directly or indirectly through individual affiliation or entity ownership or control. Service of process can be effectuated on Defendant David Sun by serving him at his residence located at 3916 Lucan Ln., The Colony, TX 75056, or wherever he may be found.

*ii. Defendant Management Entities*

16. Dentelligence PLLC (“Dentelligence”) is a Texas corporation with a principal place of business at 12070 Brownwood Dr., Frisco, TX 75035. Dentelligence is an officer and member of Crackaroni & Teeth LLC, Smile Alliance PLLC, East Dallas Family Dental PLLC, Oak Cliff Tooth Fairy PLLC, Ellis Tooth Fairy PLLC, and Garland Tooth Fairy PLLC. Service of process can be effectuated on Dentelligence by serving its registered agent, Yuexi Chen, at 6451 Tranquilo Apt 3045, Irving, TX 75039.

17. Sunlit Family Dental PLLC (“Sunlit Family Dental”), is a Texas corporation with a principal place of business at 23203 Two Harbors Glen St., Katy, TX 77494. Sunlit Family Dental is an officer and member of Crackaroni & Teeth LLC and each of the Defendant Dental Clinics. Service of process can be effectuated on Sunlit Family Dental by serving its registered agent, David C. Sun, at 23203 Two Harbors Glen St., Katy, TX 77494.

18. Crackaroni & Teeth LLC (“Crackaroni”) is a Texas corporation with a principal place of business at 23203 Two Harbors Glen St., Katy, TX 77494. Service of process can be effectuated on Crackaroni by serving its registered agent, Yuexi Chen, at 12070 Brownwood Dr., Frisco, TX 75035.

19. Defendants Dentelligence, Sunlit Family Dental, and Crackaroni are collectively referred to herein as the “Defendant Management Entities.”

*iii. Defendant Dental Clinics*

20. Smile Alliance PLLC d/b/a Happy Teeth Dental Center (“Happy Teeth”) is a Texas corporation with a principal place of business at 4731 E Lancaster Ave., Fort Worth, TX 76103. Happy Teeth operates as a dental clinic that provides dental services, including Covered Services, in Texas. Service of process can be effectuated on Happy Teeth by serving its registered agent, Sunlit Family Dental PLLC, at 23203 Two Harbors Glen St., Katy, TX 77494.

21. East Dallas Family Dental PLLC d/b/a Stadium Dental (“Stadium Dental”) is a Texas corporation with a principal place of business at 1514 E Abram St., Suite A, Arlington, TX 76010. Stadium Dental operates as a dental clinic that provides dental services, including Covered Services, in Texas. Service of process can be effectuated on Stadium Dental by serving its registered agent, Dentelligence, Inc., at 12070 Brownwood Dr., Frisco, TX 75035.

22. Oak Cliff Tooth Fairy PLLC d/b/a Oakcliff Star Dental d/b/a Smile Metroplex (“Oakcliff Star Dental”) is a Texas corporation with a principal place of business at 2425 Cockrell Hill Rd., Dallas, TX 75211. Oakcliff Star Dental operates as a dental clinic that provides dental services, including Covered Services, in Texas. Service of process can be effectuated on Oakcliff Star Dental by serving its registered agent, Yuexi Chen, at 12070 Brownwood Dr., Frisco, TX 75035.

23. Irving Tooth Fairy PLLC d/b/a Apple Dentistry (“Apple Dentistry”) is a Texas corporation with a principal place of business at 737 Irby Ln., Irving, TX 77494. Apple Dentistry operates as a dental clinic that provides dental services, including Covered Services, in Texas. Service of process can be effectuated on Apple Dentistry by serving its registered agent, Yuexi Chen, at 12070 Brownwood Dr., Frisco, TX 75035.

24. Mesquite Tooth Fairy PLLC d/b/a Dental Zania (“Dental Zania Mesquite”) is a Texas corporation with a principal place of business at 3600 Gus Thomasson Rd. #145, Mesquite, TX 75150. Dental Zania Mesquite operates as a dental clinic that provides dental services, including Covered Services, in Texas. Service of process can be effectuated on Dental Zania Mesquite by serving its registered agent, Yuexi Chen, at 12070 Brownwood Dr., Frisco, TX 75035.

25. Ellis Tooth Fairy PLLC d/b/a Ellis Dental (“Ellis Dental”) is a Texas corporation with a principal place of business at 2725 Ellis Ave., Fort Worth, TX 76164. Ellis Dental operates as a dental clinic that provides dental services, including Covered Services, in Texas. Service of process can be effectuated on Ellis Dental by serving its registered agent, Yuexi Chen, at 12070 Brownwood Dr., Frisco, TX 75035.

26. Garland Tooth Fairy PLLC d/b/a Park West Dental (“Park West Dental”) is a Texas corporation with a principal place of business at 13180 West Park Dr., Unit #106, Houston, TX 77082. Park West Dental operates as a dental clinic that provides dental services, including the Covered Services, in Texas. Service of process can be effectuated on Park West Dental by serving its registered agent, Dentelligence, Inc., at 12070 Brownwood Dr., Frisco, TX 75035.

## **V. JURISDICTION AND VENUE**

27. This Court has subject-matter jurisdiction over this action pursuant to the THFPA, which provides statutory remedies to redress Defendants’ violations of the THFPA and authorizes the State of Texas, through the Attorney General, to bring this action. TEX. HUM. RES. CODE § 36.052(e).

28. This Court has jurisdiction over Defendants because Defendants do business in the State of Texas and committed the unlawful acts as alleged in this Petition in whole or in part in Texas.

29. Jurisdiction is further proper because the amount sought from Defendants is in excess of the minimum jurisdictional limits of this Court.

30. A lawsuit filed under the THFPA “shall be brought in Travis County or in a county in which any part of the unlawful act occurred.” TEX. HUM. RES. CODE § 36.052(d). Venue is proper in Tarrant County because Defendants’ unlawful acts occurred, at least in part, at a dental clinic located in Tarrant County. *Id.*

## VI. LEGAL BACKGROUND

### A. Overview of the Texas Medicaid Program

31. Medicaid is a joint federal-state program created in 1965 that provides health care benefits for certain groups, primarily low-income and disabled individuals. The State of Texas and the federal government jointly fund the Medical Assistance Program in Texas, commonly referred to as Texas Medicaid, which provides vital health care coverage to vulnerable populations, including children, pregnant women, elderly adults, and individuals with disabilities. *See* 1 TEX. ADMIN. CODE §§ 358.101, 366.307, 366.507.

32. The Texas Health and Human Services Commission (“HHSC”) administers the Texas Medicaid program and has authority to promulgate rules and other methods of administration governing the program. TEX. GOV’T CODE § 532.0001 *et seq.* HHSC promulgates the Texas Medicaid Provider Procedures Manual (“TMPPM”). Tex. Health & Hum. Servs. Comm’n, Texas Medicaid Provider Procedures Manual (2026).

33. Texas Medicaid reimburses participating providers for the approved medical services they provide to recipients covered by Medicaid.

34. Healthcare providers such as dentists may elect to participate in the Texas Medicaid program. To become a Texas Medicaid Provider, a healthcare provider must submit a Provider Enrollment Application and enter into a Medicaid Provider Agreement with HHSC (“Provider Agreement”). 1 TEX. ADMIN. CODE § 352.7. The Provider Agreement states that providers “[have] a duty to become educated and knowledgeable with the contents and procedures contained in the Provider Manual [TMPPM].” Tex. Health & Hum. Servs. Comm’n, HHSC Provider Agreement ¶ 1.1 (2018).

35. Providers further agree under the Provider Agreement that they will comply with applicable state and federal laws governing and regulating Medicaid, and all state and federal laws and regulations related to waste, abuse, and fraud. *Id.*

36. As a condition of participating in Texas Medicaid, a provider must represent to Texas Medicaid that they will comply with the requirements of the TMPPM. *Id.* Providers must further acknowledge their duties to be familiar with the TMPPM and to ensure that employees acting on behalf of the providers also comply with the requirements set forth in the TMPPM. *Id.* The TMPPM states that “Providers must comply with their applicable licensing agency’s laws and regulations, including any related to marketing and advertising, and any applicable state and federal laws and regulations, contractual requirements, and other guidance documents.” TMPPM, Vol. 1 Provider Enrollment and Responsibilities, ¶ 1.10 (Feb. 2026).

37. HHSC also created the “Texas Provider Marketing Guidelines” to provide marketing guidelines to Medicaid providers.

38. When approving a healthcare provider to become a Texas Medicaid Provider, Texas Medicaid must rely upon the provider's representations that he or she will comply with the terms and conditions of the Provider Agreement and the TMPPM. Accordingly, Texas Medicaid Providers have an ongoing duty to Texas Medicaid to comply with these terms and conditions and to comply with state and federal laws when providing medical services and treatment to Texas Medicaid patients. Tex. Health & Hum. Servs. Comm'n, HHSC Provider Agreement ¶ 1.1 (2018).

39. Rules governing dentists promulgated by the Texas State Board of Dental Examiners specify that, while a dentist may give away small, non-cash promotional items of nominal value for the purpose of marketing to potential patients, the dentist may not, "offer, give, dispense, distribute or make available to any third party or aid or abet another so to do, any cash, gift, premium, chance, reward, ticket, item, or thing of value for securing or soliciting patients." See 22 TEX. ADMIN. CODE § 108.58.

40. Texas Medicaid offers a specialized program known as the "First Dental Home" ("FDH") program for especially young Medicaid beneficiaries. TMPPM, Vol. 2, Children's Services Handbook, ¶ 3.2.9 (Feb. 2026). FDH is a Medicaid-specific designation that applies only to providers certified through the Texas Health Steps ("THSteps") dental program and is used exclusively for reimbursement of preventative dental services to Medicaid recipients ages six-months through 35-months old. FDH services are billed using procedure code D0145 and require compliance with documentation, certification, and training requirements established by the TMPPM. *Id.*

41. Under Texas Medicaid rules, only dentists who have completed FDH certification training may bill for FDH services, and such services must include an oral examination, carries risk assessment, parental education, anticipatory guidance, and other defined preventative services. *Id.* FDH claims are reimbursable solely under the Texas Medicaid program and are subject to strict limitations on frequency and documentation. *Id.*

42. “FDH” is not a general marketing classification but a Medicaid-only billing designation that signals eligibility for specific Medicaid reimbursement codes and services. Providers participating in Texas Medicaid are required to comply with TMPPM, Vol. 2, Children’s Services Handbook, ¶ 3.2.9 and Texas Administrative Code rules governing FDH services (22 TEX. ADMIN. CODE §§ 108.2, 108.7; 25 TEX. ADMIN. CODE §§ 33.6, 33.20) and may not use marketing practices, inducements, or remuneration that improperly influence the selection of providers or the receipt of FDH services by Medicaid beneficiaries.

#### **B. The Texas Health Care Program Fraud Prevention Act (THFPA)**

43. A person commits an unlawful act under the THFPA if the person, among other things:

- (1) “knowingly makes or causes to be made a false statement or misrepresentation of material fact to permit a person to receive a benefit or payment under a health care program that is not authorized or that is greater than the benefit or payment that is authorized;
- (2) knowingly conceals or fails to disclose information that permits a person to receive a benefit or payment under a health care program that is not authorized or that is greater than the benefit or payment that is authorized;
- (4) knowingly makes, causes to be made, induces, or seeks to induce the making of a false statement or misrepresentation of material act concerning . . . (B) information required to be provided by a federal or state law, rule, regulation, or provider agreement pertaining to a health care program;

(13) knowingly engages in conduct that constitutes a violation under Section 32.039(b).”

TEX. HUM. RES. CODE § 36.002.

44. Under the THFPA, each Defendant is liable to the State for the amount of any payments or the value of any money or in-kind benefits provided under the Medicaid program, directly or indirectly, as a result of its unlawful acts. TEX. HUM. RES. CODE § 36.052(a)(1). Each Defendant is further liable to the State for two times the amount of those payments or the value of the benefit, pre-judgment interest on the amount of those payments or the value of the benefit, and a civil penalty for each unlawful act committed. *Id.* § 36.052(a)(2)-(4).

45. A person violates the Texas Anti-Kickback Statute, codified under section 32.039(b) of the Texas Human Resources Code and incorporated into the THFPA by section 36.002(13), if the person:

“(b)(5) offers or pays, directly or indirectly, overtly or covertly any remuneration, including any kickback, bribe, or rebate, in cash or in kind to induce a person to refer an individual to another person for the furnishing of, or for arranging the furnishing of, any item or service for which payment may be made, in whole or in part, under the medical assistance program, provided that this subdivision does not prohibit the referral of a patient to another practitioner within a multispecialty group or university medical services research and development plan (practice plan) for medically necessary services;

(b)(6) offers or pays, directly or indirectly, overtly or covertly any remuneration, including any kickback, bribe, or rebate, in cash or in kind to induce a person to purchase, lease, or order, or arrange for or recommend the purchase, lease or order of, any good, facility, service, or item for which payment may be made, in whole or in part, under the medical assistance program;

(b)(7) provides, offers, or receives an inducement in a manner or for a purpose not otherwise prohibited by this section or Section 102.001, Occupations Code, to or from a person, including a recipient, provider, employee or agent of a provider, third-party vendor, or public servant, for the purpose of influencing or being influenced in a decision regarding:

(A) selection of a provider or receipt of a good or service under the medical assistance program;

(B) the use of goods or services provided under the medical assistance program; or

(C) the inclusion or exclusion of goods or services available under the medical assistance program.”

46. “Knowingly” is defined as actual knowledge, “conscious indifference to the truth or falsity of the information,” or “reckless disregard of the truth or falsity of the information.” TEX. HUM. RES. CODE § 36.0011(a)(1)-(3). Proof of “specific intent to commit an unlawful act under Section 36.002 is not required” to show a person “acted ‘knowingly’ with respect to information under this chapter.” *Id.* at § 36.0011(b).

47. Under Texas law, “remuneration” includes goods, services, and items of value. TEX. HUM. RES. CODE § 32.039(b). The THFPA prohibits any arrangement in which remuneration is provided to obtain referrals of services, items, or goods, or to influence or be influenced in decisions regarding the provision of services under the Medicaid program.

48. “Inducement” is defined to include “a service, cash in any amount, entertainment, or any item of value.” TEX. HUM. RES. CODE § 32.039(a)(1-a).

49. The anti-kickback provisions are designed to, among other things, ensure that patient care is not improperly influenced by inappropriate compensation from the medical services industry and that healthcare professionals remain free of conflicts of interest that could impact treatment decisions.

50. To participate in Texas Medicaid, providers certify compliance with Texas law prohibiting kickbacks and fraud. Defendants, as dental services providers and contractors within the Texas Medicaid program, were expressly required to comply with these statutes as a condition of their eligibility and participation in the program.

## **VII. DEFENDANTS UNLAWFUL ACTS UNDER THE THFPA**

51. Defendants, with assistance from the Marketers, engaged in a two-part unlawful kickback scheme for the purpose of inducing Medicaid patients.

52. In the first part, Defendants knowingly paid the Marketers on a per-patient basis to recruit Medicaid beneficiaries. These payments were tied directly to the number and classification of patients referred, which included a Medicaid-specific classification of FDH patients. Defendants knew that their payments to the Marketers were intended to and did result in the unlawful recruitment of Medicaid patients for services reimbursable by Texas Medicaid. Through this payment arrangement, Defendants facilitated the submission of claims to Texas Medicaid for services rendered to patients unlawfully recruited through the kickback scheme.

53. In the second part, the Marketers used funds received from Defendants to provide cash, gift cards, or other items of value to Medicaid patients to induce them to seek services at Defendant Dental Clinics. Defendants knew that the Marketers were offering and providing remuneration to Medicaid patients and that patients were attending appointments in exchange for such remuneration.

54. This unlawful scheme was executed systematically pursuant to contracts between Defendants and the Marketers, allowing Defendants to recover unlawful payments from Texas Medicaid.

**A. Part One: Defendants Paid Marketers on a Per-Patient Basis to Recruit Medicaid Beneficiaries**

*i. Defendants' Contracts with Marketers*

55. Beginning in or around December 2022 and continuing through approximately July 2024, Dr. Sun and Dr. Chen acquired and assumed operational control over Defendant Dental Clinics, overseeing their management and operations during this period.

56. At the time Dr. Sun and Dr. Chen acquired the Defendant Dental Clinics, existing contracts with the Marketers were in place at Stadium Dental, Oakcliff Star Dental, Apple Dentistry, Dental Zania Mesquite, and Ellis Dental.

57. At the time Dr. Sun and Dr. Chen acquired the Defendant Dental Clinics, Dental Axis, operated primarily by Frank Villanueva, was a marketing enterprise with a documented history of engaging in unlawful kickback schemes. In fact, Frank Villanueva previously entered into a settlement agreement with the United States and State of Texas in 2016 arising from similar referral schemes alleged in *qui tam* actions filed in federal and Texas state courts. Those settlements resolved allegations that claims for reimbursement submitted to Texas Medicaid between January 1, 2009, and December 31, 2014 were tainted by unlawful remuneration paid to beneficiaries and their families, in violation of the THFPA and the federal False Claims Act.

58. The other Marketer, DMO, operated primarily by Bryan Lopez, was also a marketing enterprise with a history of engaging in unlawful kickback schemes, including remuneration arrangements substantially similar to the scheme alleged herein.

59. Dental Axis and DMO coordinated directly with dental clinics, including those later acquired by Dr. Sun and Chen, by entering into contracts structured to target Texas Medicaid beneficiaries and artificially increase Medicaid patient volume through unlawful referral-based compensation arrangements.

60. On December 6, 2022, Dr. Sun and Dr. Chen executed new written contracts with Dental Axis and DMO on behalf of Happy Teeth. These contracts between Dr. Sun and Dr. Chen and the Marketers were memorialized in written Marketing Services Agreements (“MSAs”).

61. Although the stated purpose of the MSAs was to provide “surveys and reviews” and purported marketing services, the MSAs did not require the Marketers to provide Defendants with any survey data, reports, analytics, outreach logs, or other documentation reflecting legitimate marketing or survey activity.

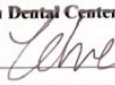

62. Instead, the MSAs established a payment structure tied directly to the number and category of patients referred to Defendant Dental Clinics, including an upfront deposit of \$5,000 to commence services and per-patient fees based on patient categories.

63. The terms of the MSAs expressly provided for payments in the following categories: (a) “NP” at \$140 per patient, (b) “FDH” at \$90 per patient, and (c) “RC” at \$100 per patient.

64. Upon information and belief, “NP” refers to new patients, “FDH” refers to First Dental Home patients, and “RC” refers to returning clients.

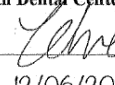
EXECUTED the date herein above first set out.

- Deposit of \$5000 to commence service at a practice.
  - o NP \$140
  - o FDH \$90
  - o RC \$100

<p><b>Happy Teeth Dental Center</b></p> <p>By: <u></u></p> <p style="margin-left: 100px;">12/06/2022</p> <p>Title: Director</p>	<p><b>Dental Market One</b></p> <p>By: <u></u></p> <p style="margin-left: 100px;">12/06/2022</p> <p>Title: CEO</p>
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EXECUTED the date herein above first set out.

- Deposit of \$5000 to commence service at a practice.
  - o NP \$140
  - o FDH \$90
  - o RC \$100

<p><b>Happy Teeth Dental Center</b></p> <p>By: <u></u></p> <p style="margin-left: 100px;">12/06/2022</p> <p>Title: Director</p>	<p><b>Dental Axis</b></p> <p>By: Frank Villanueva</p> <p>Title:</p>
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65. Upon acquiring the Defendant Dental Clinics that already had existing contracts with the Marketers, Defendants knowingly assumed, adopted, and continued those contracts, made payments pursuant to them, and accepted the benefits of patient referrals generated through those arrangements. In doing so, Defendants ratified and affirmed the existing contracts.

66. For example, on May 11, 2023, Dental Axis issued an invoice to Stadium Dental for \$5,000 labeled “Deposit,” coinciding with the period when Dr. Sun and Dr. Chen acquired ownership and operational control of Stadium Dental. Zelle transaction records from that same date reflect two payments totaling \$5,000 sent from Smile Alliance, PLLC to Dental Axis. These contemporaneous payments demonstrate knowingly continued performance under the existing marketing contracts.

INVOICE			
Dental Axis			
Bill To	Stadium dental	Invoice Num	40
		Date	May 11, 2023
		Due Date	Jun 10, 2023
		Terms	30 days
Description	Quantity	Rate	Amount
* Deposit	1	\$5,000.00	\$5,000.00
* Indicates non-taxable item			
Thank you for your business.			
		Subtotal	\$5,000.00
		Tax (8%)	\$0.00
		Total	\$5,000.00
		Paid	\$0.00
		<b>Balance Due</b>	<b>\$5,000.00</b>

67. At all relevant times, Defendants had the authority to terminate, modify, or suspend the MSAs and the existing marketing contracts but instead chose to continue making payments and accept patient referrals generated through the arrangement.

68. Defendants financially benefited from the continuation of the MSAs and the preexisting marketing contracts through increased patient volume and submission of claims to Texas Medicaid for services rendered to patients recruited by the Marketers.

69. Pursuant to the new and existing agreements, Defendant Dental Clinics made payments to the Marketers on a monthly basis which routinely ranged from approximately \$10,000 to \$40,000 per month.

70. Despite the large costs associated with these services, the Marketers did not provide Defendants with any completed surveys, survey results, reports, outreach logs, or marketing materials corresponding to the payments made.

71. Upon information and belief, no surveys were ever completed by patients, and no legitimate survey or review services were performed in exchange for payments made to the Marketers by Defendants.

72. The MSAs' payment structure was designed to increase patient volume at Defendant Dental Clinics and, in particular, to generate Medicaid reimbursable services, including FDH services.

73. Defendants paid Marketers for the referral of thousands of Medicaid beneficiaries during the relevant period.

74. Of these Medicaid beneficiaries, at least a thousand were FDH patients.

*ii. Defendants' Knowledge*

75. Defendants knew that the payments made to the Marketers were intended to and ultimately resulted in the unlawful recruitment of Medicaid beneficiaries to Defendant Dental Clinics.

76. On January 10, 2023, which was approximately one month after the MSAs for Happy Teeth were executed, Dr. Chen received an email from Bryan Lopez requesting that Dr. Chen review a patient list that identified Medicaid beneficiaries, service dates, and the dental clinic at which the services were performed, namely Happy Teeth.

77. Defendants were not merely signing MSAs and paying invoices, but were actively monitoring and evaluating individual Medicaid patient referrals generated by the Marketers. By reviewing a list that identified specific Medicaid beneficiaries, their dates of service, and the clinic where services were performed, Defendants demonstrated knowledge that payments to Marketers were made in exchange for recruitment of individual Medicaid patients and were based on per-patient referrals rather than lawful marketing services.

78. Further, the MSAs expressly distinguished and compensated referrals based on whether a patient qualified as an “FDH” patient, a Medicaid-specific designation that requires specialized certification and is used exclusively for Medicaid billing under procedure code D0145. *See* TMPPM, Vol. 2, Children’s Services Handbook ¶ 3.2.9 (Feb. 2026).

79. Defendants were required, as Texas Medicaid providers, to be trained on and comply with the TMPPM and the requirements governing FDH services. *Id.*

80. By structuring compensation around FDH patient classifications, Defendants demonstrated knowledge that the marketing arrangement was directly tied to Medicaid billing categories and reimbursable services.

81. Defendants transmitted nearly \$900,000 to the Marketers through electronic payment platforms, including Zelle, annotating payments with notes such as “marketing cost” and “contractor.”

82. The amount, frequency, and structure of these payments demonstrate that Defendants knew, were consciously indifferent toward, or recklessly disregarded the fact that the payments constituted unlawful remuneration in exchange for the referral of Medicaid patients.

83. Upon acquiring the Defendant Dental Clinics that had existing contracts with the Marketers, Defendants continued the arrangement without conducting any due diligence into the legality of the Marketers’ practices and without terminating or modifying the contracts despite terms that clearly demonstrated that they were paying Marketers on a per-patient basis for referrals, an act that they knew constituted illegal kickbacks.

84. These facts demonstrate that Defendants knew that their per patient payment arrangements violated Texas law and resulted in the submission of Medicaid claims tainted by unlawful remuneration.

**B. Part 2: The Marketers Bribe Patients to Receive Services at Defendants' Clinics.**

*i. Marketers' Use of Remuneration to Recruit Medicaid Patients*

85. Defendants knew that the Marketers were using Defendants' payments to provide kickbacks in the form of cash and other items of value to Medicaid beneficiaries in exchange for receiving dental services at Defendant Dental Clinics.

86. Defendants used the Marketers to fund, enable, and indirectly offer and pay unlawful remuneration to Medicaid beneficiaries in exchange for seeking Covered Services at Defendant Dental Clinics.

87. The Marketers maintained spreadsheets tracking individual Medicaid patients referred to the Defendant Dental Clinics over the time period of January 2023 to December 2025. The spreadsheet includes the specific dental clinic to which each patient was referred, appointment dates, the type of patient (new, returning, FDH), and the amounts paid to both to the marketers and to the patients.

88. These spreadsheets demonstrate that payments to patients were directly tied to Defendants' per patient compensation structure and to appointments at Defendant Dental Clinics.

89. Upon information and belief, the Marketers directed patients to the Defendant Dental Clinics by paying patients or their parents/guardians remuneration in the form of gift cards, cash, and Zelle payments for receiving Covered Services at the Defendant Dental Clinics.

90. The inducements were not nominal, in fact, they were substantial, frequent, and intentional. The inducements were not for legitimate marketing or educational purposes, and the payments were expressly conditioned on the beneficiaries' attendance at appointments at Defendant Dental Clinics.

91. The inducement scheme was carried out systematically over an extended period of time, ultimately generating thousands of Medicaid patient visits to Defendant Dental Clinics and millions paid by Texas Medicaid in tainted claims.

*ii. Defendants' Knowledge*

92. Defendants knew that their payment arrangements with the Marketers resulted in the provision of unlawful remuneration to Medicaid beneficiaries.

93. Defendants were aware that the Marketers tracked individual patient visits, appointment dates, and payment amounts and that these payments corresponded directly to Defendants' per-patient compensation tiers.

94. Defendants continued to make substantial monthly and/or biweekly payments to the Marketers despite having no evidence that any legitimate survey, review, or marketing services were being performed.

95. Defendants adopted this scheme from the previous owner of Dental Zania, understanding that the parties' arrangement was one in which the dental office paid kickbacks in exchange for a constant flow of patients. They failed to investigate, audit, or terminate the Marketers despite clear red flags indicating that Medicaid beneficiaries were being induced through remuneration because the outcome was incredibly lucrative.

96. As a result of these acts and omissions, Defendants knowingly and indirectly offered and paid unlawful remuneration to Medicaid beneficiaries and caused the submission of Medicaid claims tainted by such unlawful inducements.

**C. Defendants' Unlawful Scheme Resulted in Thousands of Fraudulent Claims to Texas Medicaid.**

97. During the relevant time period, Defendants knowingly submitted thousands of claims to Texas Medicaid for Covered Services provided to beneficiaries as a result of their illegal marketing and quid pro quo arrangements with the Marketers. Those claims caused Texas to disburse over a million dollars in reimbursements that were tainted by unlawful acts under the THFPA and should not have been paid.

98. For example, Texas Medicaid paid the following claims that were tainted by Defendants' kickback scheme. These examples represent thousands of similar claims paid by Texas Medicaid:

- In November 2023, Texas Medicaid paid \$1,310.48 to Stadium Dental for Covered Services provided to a 12-year-old patient, which included multiple fillings, nitrous sedation, and the extraction of a tooth. The patient was recruited by a marketer from Dental Axis/DMO, and the patient or their parent/guardian was paid \$70.
- In November 2024, Texas Medicaid paid \$142.07 to Happy Teeth for Covered Services provided to a FDH patient who was one year old at the time of the visit, which included an oral evaluation and caries risk assessment. The patient was recruited by a marketer from Dental Axis/DMO, and the patient or their parent/guardian was paid \$30.
- In November 2024, Texas Medicaid paid \$156.88 to Oakcliff Star Dental for Covered Services provided to an 8-year-old patient, which included a comprehensive oral evaluation, a dental cleaning, topical fluoride application, a caries risk assessment, and multiple x-rays. The patient was recruited by a marketer from Dental Axis/DMO, and the patient or their parent/guardian was paid \$80.

- In March 2024, Texas Medicaid paid \$1,438.81 to Apple Dentistry for Covered Services provided to a 13-year-old patient, which included diagnostic exams, preventative services, and multiple filings involving one, two, and three-surface restorations. The patient was recruited by a marketer from Dental Axis/DMO, and the patient or their parent/guardian was paid \$70.
- In October 2024, Texas Medicaid paid \$463.55 to Ellis Dental for Covered Services provided to a 7-year-old patient, which included diagnostic exams, preventative services, nitrous sedation, and three two-surface fillings on back teeth. The patient was recruited by a marketer from Dental Axis/DMO, and the patient or their parent/guardian was paid \$80.
- In June 2024, a 4-year-old patient received Covered Services at Dental Zania Mesquite, for which Texas Medicaid later paid \$156.88. The patient was recruited by a marketer from Dental Axis/DMO, and the patient or their parent/guardian was paid \$80.

## **VIII. CAUSES OF ACTION**

### **Violations of the Texas Health Care Program Fraud Prevention Act** **TEX. HUM. RES. CODE §§ 36.002(1), (2), (4)(B), and (13)**

99. Texas restates and incorporates the foregoing facts and allegations as if fully set forth in their entirety.

100. Defendant knowingly committed multiple unlawful acts under TEX. HUM. RES. CODE § 36.002, including the following:

- (i) Defendants knowingly made or caused to be made false statements or misrepresentations of material fact to permit a person to receive a benefit or payment under the Texas Medicaid program that was not authorized or that was greater than the benefit or payment that was authorized. TEX. HUM. RES. CODE § 36.002(1). Specifically, Defendants falsely represented in their Provider Agreements that they would comply with Medicaid rules and regulations, while knowingly entering into arrangements with the Marketers to pay them on a per-

Medicaid-patient basis, thereby inducing patients to visit Defendants' clinics in violation of Texas Medicaid rules and regulations.

- (ii) Defendants knowingly concealed or failed to disclose information that permitted a person to receive a benefit or payment under the Texas Medicaid program that was not authorized or that was greater than the benefit or payment that was authorized. TEX. HUM. RES. CODE § 36.002(2). By concealing the per-patient payment arrangements with the Marketers, Defendants ensured that they received Medicaid payments to which they were not entitled.
- (iii) Defendants knowingly made, caused to be made, induced, or sought to induce the making of a false statement or misrepresentation of material fact concerning information required to be provided by federal or state law, rule, regulation, or provider agreement pertaining to a health care program. TEX. HUM. RES. CODE § 36.002(4)(B). Defendants caused false certifications of compliance with Medicaid rules and regulations in their Provider Agreements while designing, funding, and benefiting from the unlawful marketing schemes.
- (iv) Defendants knowingly solicited or received, directly or indirectly, overtly or covertly, remuneration, including any kickback, bribe, or rebate, in cash or in kind, for the furnishing of dental services to Medicaid patients through the Marketers. TEX. HUM. RES. CODE § 32.039(b). In doing so, Defendants violated TEX. HUM. RES. CODE § 36.002(13), which incorporates § 32.039(b).

#### **IX. PRAYER FOR RELIEF**

101. Texas seeks an amount as civil penalties that will be justified and appropriate under the facts and the law.

102. Texas invokes in the broadest sense all relief possible under the THFPA whether specified in this pleading or not.

103. For these reasons, Texas respectfully requests this Court to enter judgment for Texas and against Defendants and impose the following civil remedies and civil penalties available under TEX. HUM. RES. CODE §§ 36.052, 36.007:

A. Texas requests that judgment be entered upon trial of this case in favor of Texas against Defendants to the maximum extent allowed by law.

B. Texas asks that it recover from Defendants under the THFPA:

(i) The value of any payments or any monetary or in-kind benefits provided under the Texas Medicaid program, directly or indirectly, as a result of Defendants' unlawful acts;

(ii) Interest on the value in B(i);

(iii) For each unlawful act Defendants committed, civil penalties in an amount not less than \$5,500.00 or more than \$15,000.00 or the maximum amount imposed by 31 U.S.C. § 3729(a), if that amount exceeds \$15,000;

(iv) Two times the value in (B)(i); and

(v) Attorneys' fees, expenses, and costs.

C. Texas also asks for other relief at law or in equity which it may show it is entitled to.

### **JURY DEMAND**

104. Texas respectfully requests a trial by jury pursuant to Rule 216 of the Texas Rules of Civil Procedure.

Dated: March 2, 2026

Respectfully submitted,

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