

PAPER 06 / 08
Funding Architecture Series

GOVCON + WORKFORCE EMPLOYERS
Trust Structure | Claims Funding | Vendor Payments | Stop-Loss
| Reconciliation

The Funding Architecture of Employer Health Plans

How Archer Jordan Health governs employer health plan funding, trust structure, claims funding, vendor payments, stop-loss, reserves, reconciliation, and funds-flow discipline.

IN THIS PAPER

Paper 06 explains how TrustFirst™ governs the money layer of employer health plans: funding method, trust structure, claims funding, vendor payments, pharmacy economics, stop-loss, reserves, reconciliation, and funds-flow discipline.

RELEVANT FOR

Government contractors · Service Contract Act employers · prevailing wage employers · self-funded health plans · CFOs · HR leaders
· owners · boards

Trust where money sits	Claims what gets funded	Vendors what gets paid	Reconcile what proves
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Plan funding is not back-office mechanics. Paper 06 explains how TrustFirst™ turns employer health plan funding into a governed financial architecture.

Paper 06 governs the money layer of the plan.

Paper 01 proved TrustFirst™ Architecture through measurable outcomes. Paper 02 defined the fiduciary governance framework. Paper 03 showed where proof lives. Paper 04 governed vendors and fees. Paper 05 governed data and truth. Paper 06 turns to the financial control point: how plan sponsor money is funded, held, paid, reconciled, and documented.

For self-funded health plans, funding architecture is not simply a choice between fully insured, level-funded, and self-funded arrangements. It is the operating system for plan dollars. Employer contributions, employee deductions, claims funding, administrative fees, PBM arrangements, stop-loss payments, vendor compensation, rebates, credits, recoveries, and reserves all create a financial chain. If that chain is not designed and governed, it evolves informally around vendor processes.

TrustFirst™ treats funds flow as fiduciary infrastructure. The purpose is to make plan money traceable, authorized, reconcilable, and defensible. In a TrustFirst™ self-funded plan, plan sponsor dollars do not disappear into vendor-controlled economics. Every material payment should follow documented authority, every vendor should be paid only according to approved fee arrangements, and every significant financial decision should be preserved inside the fiduciary file.

OPERATING PREMISE

Funds flow is not administration. It is governance.

A health plan can appear to operate normally while its financial architecture remains unclear. Claims may be paid, stop-loss may be placed, PBM invoices may be processed, and vendors may receive compensation, while leadership still cannot explain exactly where plan money went, who authorized the payment, what agreement controlled the flow, or whether the records reconcile.

That gap matters for Service Contract Act contractors, prevailing wage employers, government contractors, multi-state employers, and large hourly workforces. In those environments, healthcare funding affects labor cost, fringe benefit obligations, cash flow, contract margin, compliance documentation, employee trust, and executive exposure.

The TrustFirst™ premise is direct: the movement of plan money must be designed before pressure arrives. If a plan sponsor cannot trace contributions, deductions, claims funding, vendor fees, stop-loss payments, pharmacy economics, reserves, and recoveries back to written authority, then the plan may be funded, but it is not fully governed.

THE FUNDING GAP

Most plans move money. Few govern the movement.

Traditional benefit administration often lets the financial structure form around the vendors. A TPA may request claims funding. A PBM may administer pharmacy economics. A stop-loss carrier may invoice premium and reimburse claims. A broker or consultant may receive compensation. Payroll may transmit deductions and contributions. Finance may approve invoices. Each function may be necessary, but none of them alone creates a governed view of the whole funds-flow system.

TrustFirst™ does not assume that payment activity equals financial control. It asks whether the authority is documented, whether the payment is tied to a plan purpose, whether vendor compensation was disclosed and approved, whether trust activity reconciles to claims and invoices, and whether leadership can explain the financial structure without reconstructing it from vendor reports.

Funding area	What must be governed	TrustFirst™ governance record
Trust structure	Where plan money is held, who controls it, and what documents authorize disbursements.	Trust documents, bank records, authority matrix, administrative services agreement, fiduciary file note.
Claims funding	Weekly or periodic claims funding, large-claim activity, eligibility tie-out, and payment evidence.	Claims funding log, TPA request file, claims report, trust disbursement record, approval record.

Vendor payments	TPA, PBM, broker, consultant, stop-loss, network, data, and administrative fees.	Vendor agreement, fee schedule, compensation disclosure, invoice review, payment approval.
Stop-loss	Premium, specific deductible, aggregate coverage, lasers, exclusions, reimbursements, and renewal assumptions.	Stop-loss contract, disclosure file, large-claim tracking, reimbursement log, renewal analysis.
PBM economics	Rebates, credits, spread, specialty drugs, manufacturer payments, guarantees, and pharmacy-derived value.	PBM contract, pharmacy report, rebate/credit reconciliation, compensation analysis, governance minutes.
Reserves / reconciliation	Funding status, cash needs, claims lag, recoveries, reserves, variances, and true-up.	Funding model, reserve rationale, reconciliation report, variance log, annual governance summary.

THE TRUSTFIRST™ STANDARD

Plan sponsor money must stay governed.

TrustFirst™ Architecture requires health plan funding to be organized around fiduciary questions, not vendor convenience. Where does the money come from? Where is it held? Who controls the account? What documents authorize disbursements? Which fees are permitted? How are claims funded? How are PBM credits, rebates, recoveries, and stop-loss reimbursements treated? How are records preserved?

Where authorized and documented by the plan sponsor, Archer Jordan Health assumes delegated fiduciary governance responsibilities related to funding structure, trust-controlled funds flow, vendor payment discipline, stop-loss strategy, pharmacy economics, reconciliation, and fiduciary documentation. The objective is not merely to pay plan expenses. The objective is to govern the financial architecture through which the plan operates.

This is especially important because plan sponsor money is plan sponsor money. Vendors do not decide what they extract from the plan. No vendor should receive compensation or retain plan-generated value unless that compensation, value, or payment pathway has been disclosed, approved, documented, and governed inside the architecture.

THE TRUST ARRANGEMENT

The trust is the financial control point.

In self-funded TrustFirst™ plans, the trust structure is the central financial rail. The trust documents, administrative services agreement, plan documents, summary plan description, vendor agreements, and approved fee schedules define how money moves. Employer contributions, employee deductions where applicable, claims funding, vendor fees, PBM arrangements, stop-loss payments, rebates, credits, recoveries, and administrative expenses should flow according to written authority.

This does not mean the trust replaces plan administration. It means plan administration operates inside a governed financial structure. The trust creates a clearer pathway for holding, approving, disbursing, reconciling, and documenting plan assets. It also gives leadership a disciplined record of how plan dollars moved and why they moved.

The discipline is simple: no hidden economics, no unauthorized vendor extraction, no undocumented authority, and no vendor-controlled truth. Every dollar follows the architecture.

CLAIMS FUNDING AND STOP-LOSS

Claims funding must be visible before it becomes volatile.

Claims are the largest and most unpredictable financial flow inside many self-funded employer health plans. Weekly claims funding, large claimant activity, stop-loss attachment points, reimbursement timing, lasers, exclusions, premium, aggregate coverage, and renewal assumptions can all materially affect plan economics.

TrustFirst™ funding governance requires claims funding to be reviewed as part of the financial control system. Claims funding requests should reconcile to claims reports, eligibility, trust activity, stop-loss records, and plan decisions. Stop-loss strategy should be documented before renewal pressure arrives, with clear records of deductible levels, carrier terms, disclosure obligations, reimbursement history, and risk assumptions.

For regulated workforce employers, this matters because claims volatility can affect labor cost, fringe strategy, cash requirements, contract margin, and executive decision-making. By renewal, the plan should already be understood. By a stop-loss shock, the record should already show how the risk was governed.

VENDOR PAYMENTS AND PHARMACY ECONOMICS

Vendor payment is a governance event.

Funding architecture is incomplete if it governs claims but leaves vendor economics informal. TPAs, PBMs, brokers, consultants, stop-loss carriers, data vendors, network arrangements, and other service providers may all touch plan money or plan-generated value. Each payment pathway should be tied to a disclosed fee, approved arrangement, service agreement, and documented plan purpose.

PBM and pharmacy economics require particular discipline. Pricing methods, rebates, credits, spread, specialty drug arrangements, manufacturer payments, guarantees, and other pharmacy-related value should not be treated as background economics. If value is generated from the plan, its treatment should be disclosed, reviewed, documented, and reconciled.

TrustFirst™ software supports this architecture by preserving plan documents, trust documents, administrative services agreements, vendor agreements, fee schedules, compensation disclosures, funding records, payment approvals, claims-funding records, pharmacy records where applicable, stop-loss documentation, governance minutes, and fiduciary decision rationale. Software is part of TrustFirst™. The architecture is bigger than the software.

RECONCILIATION AND YEAR-ROUND GOVERNANCE

Funding discipline depends on reconciliation.

In a governed plan, financial records should agree. Employer contributions should reconcile to funding policy. Employee deductions should reconcile to elections, payroll, and plan documents. Claims funding should reconcile to claims reports and trust activity. Vendor invoices should reconcile to fee schedules and approved payment authority. Stop-loss reimbursements should reconcile to claim files and filing records. PBM credits or rebates should reconcile to contractual treatment and fiduciary decisions.

Funding governance should not wait for the annual renewal meeting. Monthly review may include trust activity, claims funding, large claimant exposure, payment exceptions, vendor invoices, PBM credits or rebates where applicable, employee deductions, employer contributions, and reserve status. Quarterly review may include stop-loss exposure, vendor fee reasonableness, pharmacy economics, funding assumptions, trend, cash flow, and documentation updates.

Annual and event-driven reviews should summarize what the financial architecture actually did: claims funded, vendor payments made, stop-loss premium and reimbursements, PBM economics, reserves, contribution strategy, funding variances, trust activity, and material fiduciary decisions. A governed plan should not wait until renewal to understand funding or until audit to organize payment records.

TRUSTFIRST™ FUNDING TEST

The questions every governed funding system should answer.

- Can the plan sponsor identify where plan money is held, who controls it, what documents authorize disbursements, and how claims and vendor fees are paid?
- Can the organization reconcile employer contributions, employee deductions, trust activity, claims funding, vendor invoices, stop-loss payments, PBM credits or rebates, recoveries, and reserves?
- Can leadership explain which vendors were paid, how compensation was approved, whether indirect compensation was disclosed, and whether payment followed the approved architecture?
- Can the fiduciary file show what funding assumptions were reviewed, what decisions were made, who had authority, what alternatives were considered, and how the decision was preserved?
 - Can Archer Jordan Health and the plan sponsor produce a coherent funding record under DOL inquiry, DCAA review, stop-loss renewal pressure, contract transition, prime contractor audit, or private equity diligence?

If the answer is yes, funding is no longer an informal payment process. It becomes governed financial infrastructure. That is the TrustFirst™ standard.