

**PAPER 04 / 08**  
**Vendor Oversight Series**

Vendor Oversight Series

GOVCON + WORKFORCE EMPLOYERS  
Vendor Governance | Fee Reasonableness | PBM Oversight |  
Funds Flow

Vendors | Compensation | Disclosure | Payment Control

# Vendor Oversight and Fee Reasonableness

How Archer Jordan Health governs carriers, TPAs, PBMs, stop-loss providers, consultants, administrators, network partners, compensation, conflicts, and payment accountability.

## IN THIS PAPER

Paper 01 proved the outcomes. Paper 02 defined the fiduciary governance framework. Paper 03 showed where proof lives. Paper 04 explains how TrustFirst™ governs vendors, compensation, PBM economics, service-provider conflicts, and payment accountability.

Paper 04 explains how Archer Jordan Health applies TrustFirst™ Architecture to the vendor ecosystem: service-provider authority, fee reasonableness, PBM economics, stop-loss oversight, payment accountability, and documentation that proves the plan sponsor governed the relationship before scrutiny arrived.

## RELEVANT FOR

Government contractors · Service Contract Act employers · prevailing wage employers · self-funded health plans · workforce-intensive employers · CFOs · HR leaders · boards · private equity sponsors

<b>Vendors who serves</b>	<b>Fees what is paid</b>	<b>Conflicts what is aligned</b>	<b>Oversight what is governed</b>
vendor role	compensation	alignment	accountability

*Vendors do not govern the plan. Vendors operate inside the architecture. Paper 04 explains how TrustFirst™ turns service-provider relationships into documented fiduciary oversight.*

## EXECUTIVE SUMMARY

# Paper 04 governs the vendor ecosystem.

Paper 01 proved that TrustFirst™ Architecture can produce measurable outcomes. Paper 02 defined the fiduciary governance framework. Paper 03 showed where the proof lives. Paper 04 turns to the service-provider ecosystem: the carriers, TPAs, PBMs, stop-loss carriers, consultants, administrators, network partners, data vendors, and other providers that influence the cost, operation, and defensibility of an employer health plan.

Most regulated workforce employers already have vendors. That is not the issue. The issue is whether those vendors operate inside a governed structure where role, authority, compensation, conflicts, performance, data rights, payment rules, and termination rights are clear before the relationship becomes routine.

For Archer Jordan Health, vendor oversight is not a quarterly check-in or a renewal meeting. It is a fiduciary discipline. TrustFirst™ requires service providers to be selected, documented, supervised, benchmarked, paid, and reviewed under a governance standard. A vendor may perform an important function. The vendor does not become the governance layer.

## OPERATING PREMISE

# Service is not supervision.

A broker can place coverage. A TPA can process claims. A PBM can administer pharmacy benefits. A stop-loss carrier can absorb catastrophic exposure. A carrier can provide network access or insurance. Each function matters, but none of those functions automatically governs the plan as a financial and fiduciary system.

That distinction is critical for Service Contract Act contractors, prevailing wage employers, government contractors, multi-state employers, and large hourly workforces. These organizations carry health plan exposure tied to labor cost, fringe benefit obligations, payroll, contract performance, employee trust, claims volatility, and executive risk.

The TrustFirst™ operating premise is direct: vendors are necessary, but unmanaged vendor relationships create opacity. Opacity is where hidden compensation, unclear incentives, incomplete data, weak service standards, and undocumented authority can enter the plan. TrustFirst™ replaces unmanaged reliance with documented oversight.

## THE VENDOR GOVERNANCE GAP

# Most plans have vendors. Few have vendor governance.

Traditional benefit arrangements often treat vendor coordination as if it were governance. A broker organizes the renewal, a carrier reports performance, a TPA provides claims files, a PBM explains pharmacy trend, and finance receives invoices. The plan appears managed because activity is happening around it.

But activity is not authority. Reports are not oversight. A service meeting is not a fiduciary process. If the plan sponsor cannot show who selected the vendor, why the vendor was chosen, how compensation was reviewed, what conflicts were identified, what performance standards apply, and how payments were approved, the vendor relationship is not fully governed.

Vendor area	What must be governed	TrustFirst™ record
Broker / consultant	Role, compensation, conflicts, renewal influence, and scope of authority.	Service agreement, disclosure file, fee schedule, compensation review, fiduciary file note.
Carrier / network	Access, contract terms, administrative responsibilities, data rights, and renewal assumptions.	Carrier or network agreement, performance record, renewal file, data request log, decision rationale.
TPA / administrator	Claims processing, eligibility administration, reporting, service standards, payment instructions, and data access.	ASA, service standards, claims funding records, administrative fee schedule, issue log, reconciliation records.

PBM / pharmacy	Pricing method, rebates, spread, specialty strategy, formulary incentives, credits, and audit rights.	PBM contract, rebate/credit file, pharmacy performance review, audit rights, compensation analysis.
Stop-loss provider	Premiums, commissions, lasers, exclusions, rate caps, disclosure timing, claim filing, and reimbursement tracking.	Stop-loss policy, disclosure file, premium and commission record, large-claim review, reimbursement log.
All vendors	Whether each provider still belongs inside the architecture and is paid only through documented authority.	Annual vendor scorecard, benchmark review, governance minutes, fee reasonableness file, termination review.

**THE TRUSTFIRST™ STANDARD**

## Every vendor must fit the architecture.

TrustFirst™ begins with a simple question: what is this vendor authorized to do for the plan? From there, Archer Jordan Health evaluates role, scope, compensation, data access, plan economics, service obligations, conflict exposure, and the vendor’s relationship to plan assets or plan-generated value.

Where authorized and documented by the plan sponsor, Archer Jordan Health assumes delegated fiduciary governance responsibilities related to vendor oversight, plan economics, fee reasonableness, funds-flow discipline, and documentation. That does not make every vendor a fiduciary. It means vendors operate under a structure where their function, payment, and accountability are defined.

The standard is not anti-vendor. Strong vendors can create real value. The TrustFirst™ position is that no vendor should operate outside the plan architecture, no compensation should be hidden, and no service provider should be able to create a private economy from plan sponsor money without disclosure, review, and approval.

**FEE REASONABLENESS**

## The fee must make sense before it becomes habit.

Fee reasonableness is not limited to whether a bill was paid. It asks whether the service was needed, the scope was understood, the compensation was disclosed, the amount was reasonable for the value provided, and the arrangement was reviewed before renewal, extension, or payment.

In a governed employer health plan, direct compensation and indirect compensation both matter. Broker commissions, consulting fees, TPA fees, PBM spread, rebate retention, stop-loss commissions, administrative charges, network access fees, data fees, implementation charges, overrides, pharmacy-related revenue, credits, recoveries, and retained value all need a governance record where applicable.

The goal is not to make every fee the lowest fee. The goal is to ensure that compensation is visible, reasonable, aligned, and defensible. A low fee with weak service may be expensive. A high fee without process may be indefensible. TrustFirst™ requires the plan to know what it is paying, why it is paying it, and whether the payment follows documented authority.

**PBM AND PHARMACY OVERSIGHT**

## Pharmacy economics cannot be left in the dark.

For many employer health plans, pharmacy is one of the most opaque and volatile parts of the cost structure. PBM arrangements may involve pricing methodology, rebate treatment, spread compensation, specialty drug handling, formulary incentives, manufacturer payments, clinical programs, administrative fees, guarantees, and audit rights.

TrustFirst™ pharmacy governance requires more than accepting a PBM report. It asks how the PBM is paid, how rebates or credits are characterized, whether pricing terms are transparent, whether formulary decisions align with plan objectives, how specialty drugs are managed, and whether pharmacy-derived value is treated as plan value rather than vendor-controlled revenue.

For Archer Jordan Health, PBM oversight is part of fiduciary health plan governance. The plan sponsor should not have to guess whether pharmacy economics are aligned. If the PBM arrangement generates value from the plan, the treatment of that value should be disclosed, documented, reviewed, and governed.

## Access and administration still require supervision.

Stop-loss strategy, carrier access, TPA administration, network arrangements, and contract-administrator pathways can all create value for self-funded health plans. They can also create exposure if terms, authority, compensation, data access, claim filing, reimbursement timing, lasers, exclusions, rate caps, and renewal assumptions are not documented and monitored.

TrustFirst™ does not treat these relationships as isolated vendor contracts. It connects them to the plan's funding architecture, trust-controlled funds flow, claims visibility, employee experience, and fiduciary file. The TPA or administrator may process claims. The stop-loss carrier may reimburse eligible catastrophic exposure. The network may provide access. None of them should define the governance standard.

As Archer Jordan Health builds deeper institutional access pathways, the objective remains the same: every carrier, administrator, PBM, stop-loss provider, network partner, and service provider must operate inside a documented architecture where authority is clear and plan sponsor money is protected.

### PAYMENT CONTROL AND TRUST FLOW

## Vendor oversight becomes real when money moves.

In self-funded TrustFirst™ plans, the trust is the financial control point. Vendor compensation, claims funding, stop-loss payments, PBM arrangements, administrative fees, credits, rebates, recoveries, and other plan-related payments should move only under documented authority.

That authority should be traceable to the plan documents, trust documents, administrative services agreement, summary plan description, vendor agreements, approved fee schedules, and payment approvals. The fiduciary file and TrustFirst™ software should preserve the record of what was authorized, what was paid, why it was paid, and how the payment was reconciled.

The standard is simple: no hidden economics, no unauthorized vendor extraction, no vendor-controlled truth, and no undocumented authority. Every vendor operates inside the architecture. Every dollar follows documented authority. Every material decision is recorded.

### YEAR-ROUND VENDOR GOVERNANCE

## Oversight is a cadence, not a renewal event.

Vendor governance should not wait until the renewal presentation. Monthly review may include claims activity, service issues, eligibility issues, funding status, pharmacy trend, trust activity, and payment exceptions. Quarterly review may include vendor performance, PBM economics, fee reasonableness, stop-loss exposure, reporting quality, data access, and unresolved service issues.

Annual review should summarize the year before strategy hardens: compensation disclosures, vendor scorecards, benchmarking, contract terms, termination rights, data rights, stop-loss strategy, PBM performance, administrative fees, and whether each provider still belongs inside the architecture. Event-driven review should occur when there is a vendor change, major claim event, stop-loss shock, audit request, contract transition, or acquisition diligence process.

### TRUSTFIRST™ VENDOR OVERSIGHT TEST

## The questions every vendor relationship should answer.

- Can the plan show what each vendor is authorized to do, who approved the relationship, and what authority remains with the plan sponsor or Archer Jordan Health under documented delegation?
- Can the plan produce vendor agreements, compensation disclosures, fee schedules, service standards, data rights, audit rights, termination rights, and payment approval records?
- Can the plan prove that direct and indirect compensation, PBM economics, stop-loss commissions, administrative fees, credits, rebates, recoveries, and plan-generated value were disclosed, reviewed, and governed where applicable?

- Can finance trace vendor payments through the trust-controlled funds-flow structure, approved fee schedules, payment records, and reconciliation reports?
- Can the organization demonstrate year-round vendor oversight through monthly reviews, quarterly governance records, annual benchmarking, renewal rationale, issue logs, corrections, and fiduciary file updates?

If the answer is yes, vendors are no longer operating as a separate economy around the plan. They are operating inside the plan architecture. That is the TrustFirst™ standard.