



The Key to Efficiently E-bill and Increase Cash Flow

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Law firms have the ability to streamline the electronic bill submission process by switching from their current manual, file copy process of uploading bills to clients to a centralized e-billing hub process. A centralized billing system can facilitate efficiency and improve cash flow by fully automating an otherwise tedious process and it can eliminate billing backlogs and verify submission to hundreds of clients or other e-billing intermediaries.

The key for law firms is to develop systems designed to counteract costs. Firms can leverage technology and implement good processes to ease invoice upload, avoid costly and time-consuming invoice rejections and provide simplicity into the entire electronic billing operation. Firms have learned that with automated e-billing, they can actually reduce the number of staff members or distribute more meaningful tasks to those extra law firm staff members who were once spending large amounts of time just on billing issues. E-billing is a tool that simplifies and quickens the invoice upload process and provides law firms with a dashboard with ease to invoice status. It also provides template-driven approaches to preparation of e-bills, integrates with leading time and billing systems, performs a prebill submission and accesses all potential submission errors. An e-billing system offers central visibility into the status of all e-bills, across all clients and there is no additional hardware for firms to purchase.

Making the Transition to E-billing

In order for the e-billing system to increase cash flow, it should also reduce aged accounts receivable and eliminate duplicate efforts. Electronic billing has been around for more than a decade and yet the use of it in law firms is really just getting

started. As an increasing number of legal departments are requiring firms to submit their bills electronically over the Internet, e-billing reduces the cost of paying bills and enables law departments to track and justify outside legal spending more closely. Within 10 years, it is projected that e-billing will be used in 50 percent of corporate law departments, and it is an issue that firms should be taking more seriously.

To make the switch from paper to electronic bills, firms need to make changes to their billing software programs so that the clients business and technical requirements are met. Lawyers must also learn to use the billing codes for specific legal services. Once submitted, e-billing should provide a quick turnaround of payments and allow firms to analyze the payment patterns for each of their e-bill clients. This can help a firm's project cash flow for e-bill payments and see when e-bill payments are delayed past a historic norm for any individual client.

In addition to streamlining the billing process, saving lawyer and administrative time and reducing aged accounts receivables, centralized e-billing can better enforce their outside counsel billing guidelines. Automated e-billing gives firms the opportunity to test submit an e-bill and check for consistency all on-line, in real-time prior to actually submitting. Law departments continually provide updated guidelines to their firms and expect the firms to configure their systems to meet this moving target. For a firm with dozens of different e-billing clients, the management of these updates can be difficult, resulting in rejected e-bills and delayed payments.

Status reporting is sometimes required at firms from outside counsel on particular issues and matters. E-billing gives firm members the ability to establish status reports before invoices are submitted for review. These reports can

also be used to generate monthly reminders for outside counsel regarding various deadlines on special occurrences.

Corporate clients use e-billing information to create comprehensive analyses, allowing them to better forecast their internal costs while collaborating with outside counsel to compare actual versus firm budgeted costs. A centralized system allows firms to both view their budgets online and actually submit budgets for all required matters. Automatic comparisons of invoices to budgets can be created and tracked by law firms and/or internal lawyers. Also, with e-billing, clients have access to information on the cost of services within different departments. This allows them to make better decisions regarding work that should be handled in-house versus sent out for their law firms. E-billing helps profile law firm productivity and takes the ambiguity out of discounted rates that may not actually result in any significant savings. Many law firms suffer from inefficient staffing of matters and not from the actual discounted hourly rates usually associated with the scrutiny of e-billing. E-billing can assist in monitoring and enforcing case staffing guidelines.

Creation, movement and data are the three core components of an electronic billing project for a law firm. A general counsel usually wants a company to receive its invoices electronically from its outside firms. The creation and movement of the electronic invoice is the key component of the e-billing process. The creation of the actual invoice on the law firm side tends to be the most challenging. The specific e-billing data format and requirements tend to differ from corporation to corporation; today there are, by and large, little or no true standards.

The Legal Electronic Data Exchange Standards, LEDES (a standard for organizing the information on an e-bill invoice) and the Uniform Task-Based Management System (UTBMS) task-based billing code sets (a methodology and code set for lawyers to digitally code their time) have appeared to set standards for the legal industry and therefore simplify the creation of an electronic invoice. In reality, these standards have unfortunately been modified by so many corporations to the extent that they are therefore not standards. In many other industries the electronic flow of data is standardized by similar trade organizations as a way of reducing costs and improving systems.

Selecting a Vendor

There are quite a few vendors in the marketplace offering corporate legal departments the ability to process e-billing from law firms. The key to choosing one that fits your needs is to understand the differences between each vendor's systems and seek out a solution that adheres to your corporate IT standards while meeting the basic needs of your legal department.

Implementation of the e-billing system requires serious planning, from beginning to end. A single point person should be chosen to be responsible to ensure all parties are working together. In addition, the e-billing system should be tested for about a month or so and then put into the system play with all of your firms. It can take about six to nine months

of e-billing data to begin evaluating its benefits and perform a valid statistical analysis. From there, you should encourage your firms to submit their e-bills through a central e-billing hub to further provide all parties with a faster turn-around time and less rejections.

Managing Relationships and Performance

Law firm relationships need to be handled carefully with the implementation of an e-billing system. Scheduling regular meetings with law firm staff helps with performance issues and with exceeding corporate expectations. Law firm counsel may want metrics to rate the firm against other firms in the industry. Client satisfaction, outcomes and billing guideline compliance are just a few of the factors that could be measured. These are just a few ideas in mining your e-billing data for future use to continually facilitate efficiency and improve controlling of outside expenses.

Reliable information collected from electronic billing systems helps the firm stay better informed about the legal services their clients need. The firm administrators have access to internal staff productivity and can make better-informed staffing and rate decisions. The hourly pricing model still dominates the legal marketplace but efficiency in the actual delivery of legal services is still the key component. Hourly rates may be negotiated at a discount, but this does not necessarily have to place pressure on firm profitability. Legal services should be viewed as a collaborated effort; corporations want good service while controlling costs and law firms want a fair profit on their work. Both parties want value. With e-billing, both parties can review the same information in an efficient manner and compare both work provided and results against other firms competing for the same legal services.

Preparing For the Future of E-Billing

Recent progress by the LEDES Oversight Committee has generated a next-generation of e-billing data formatting called LEDES XML. This new standard attempts to close the gap between law firms and corporations so that a single flexible e-billing format and data type can be used by all parties. The XML format attempts to also deal with some of the new complexities of e-billing by global clients and law firms. These complexities include such items as currency conversions, taxation of legal services in various regions, regional compliance issues, budgeting standards, and standardization for types of discounting. Many time and billing vendors are ahead of the curve and have already incorporated the LEDES XML standards into their software in anticipation of adoption. 