

E-Billing on Demand: Is Your Firm Ready?

by Donald Gall of Omega Legal Systems
and Don Holland of HSV Consulting Group

Unfortunately, L&W's relative success from e-billing isn't currently all that common. According to ILTA's 2004 E-Billing Survey, setting up a new e-billing client requires an average of 76 hours of work initially and costs firms an average of \$711. Each invoice also costs an average of \$68. That's more time and money than originally expected, and for the most part, it isn't delivering the expected results.

This article will describe how law firms are handling the challenges associated with e-billing and offer recommendations on how they actually use it, along with their time, billing and accounting software, to increase their bottom line. We'll examine the pros and cons.

Promised Benefits for All? Not Quite

Ask any law firm why it's doing e-billing, and you'll likely get this answer: A client requires it. According to corporate law department clients, e-billing reduces the cost of paying bills and enables them to track outside spending for legal services more closely. For example, with e-billing, law departments can seamlessly import the billing data into their own systems to:

Manage cases more efficiently. An insurance company wanting to keep track of the bills related to a case moves the billing data into a case management system to help it see what steps its outside counsel is taking in the case, what its lawyers have been doing, as well as whether they're complying with contracted billing and staffing guidelines such as not overlawyering or unnecessary travel costs.

Audit outside counsel. The same insurance company can seamlessly filter a law firm's bill in-house or pass the information on to auditing companies whose job it is to review and ensure compliance to task budgets, ensure that calculations are correct, hourly rates and expenses reflect agreement or whether any of the work is excessive. Some auditing companies actually get paid based on the amount of overbilling found in a law firm's invoices.

Compare partner/lawyer time. Companies looking to assign work to new law firms can study bills and compare partner or lawyer time in one firm to the average at another firm to determine how efficient one is over the other.

Analyze data. E-billing supports reporting and benchmarking to analyze data for trends, analysis and metrics. For example, e-billing reports can highlight a specific law firm's billings, break down the company's



When clients of Lane & Waterman LLP first began demanding that they be sent invoices electronically and in a standard file format, the firm felt a bit uneasy. While the idea behind e-billing — to standardize and streamline the billing/collection cycle — was appealing to the firm, it opened up the possibility of extending the billing-to-collection cycle.

And there was another, more immediate concern: Would L&W's time, billing and accounting software even support the LEDES (Legal Electronic Data Exchange Standard) e-billing format and the emerging variations of the standard? If not, would it be willing to invest in updating its software so that it could support them?

Fortunately, the firm's time, billing and accounting provider had developed its LEDES interface shortly after the standard was released and was able to quickly make the necessary modifications as requested, making implementation from paper billing to e-billing nearly seamless. As a result, e-billing has actually given the firm many of the benefits its clients had originally promised.

legal cases by wins, losses and other factors and even focus on the types of legal mechanisms the firm has used successfully.

Of course, many of these processes can be — and in the past have always been — done with paper billing. But with paper bills frequently 25 pages or more, this is often inefficient and time-consuming. With e-billing, paper-shuffling declines and invoices actually get paid faster. At least that's the goal.

Clients require firms to send their invoices in electronic form either directly to the legal department's website or through the website of a third-party e-billing vendor. The goal of the LEDES format developed by PricewaterhouseCoopers in 1998, was to settle on a standard, industry-wide e-billing file format. This failed to happen for a number of reasons:

Moving into a website environment is motivating some firms to require XML format over the ASCII format that results from LEDES.

Clients found the standard format could be modified to capture information for their specific business lines.

Clients began modifying the standard format to capture information they needed to provide to governmental agencies.

E-billing is no longer confined to U.S. boundaries. In fact, the LEDES Oversight Committee recently approved LEDES 98B International Beta, which adds a number of fields requested by European organizations to the original LEDES 98B.

Clients were never content to settle upon one paper-billing format — why expect a different attitude with e-billing?

Nevertheless, it would be shortsighted to argue that PricewaterhouseCoopers' idea to develop an e-billing standard was a failure; rather, it has been so successful that it has outgrown the initial concept.

In ILTA's survey, nearly one-third of responding law firms reported they were using three or more different e-billing formats to bill their clients. One even reported using 10 different formats! Lane & Waterman interfaces with three e-billing vendors; with the help of its time, billing and accounting provider, it can now download into most formats the client wants.

Other law firms turn to their time, billing and accounting providers to put their invoices into an e-billing format that conforms with the client's requirements so the format can be submitted to an e-billing vendor or directly to the client. If the

format is supported, the law firm is able to automatically put its data into the required format without manipulating the data or doing extra work, and submit it directly to the client or through the e-billing vendor to the client. If the format is not supported, it must be developed and completed by the client's deadline.

The client or e-billing vendor then reviews the data and might send it back to the law firm — or reject it outright — for any number of reasons, including a timekeeper not being approved or the system's inability to process a credit.

When the client receives the final, detailed e-bill, complete with codes created by the American Bar Association in 1995 for specific legal services, it's able to import their bills into a separate database or case management system for analysis in-house or with third-party auditing firms.

A Matter of Cost

Naturally, different firms view e-billing differently. For example, "a necessary evil" is how Jones, Skelton & Huchuli, PLC characterizes the process. At the outset, the firm was frustrated by the high startup costs just to send bills, actually refusing one client's e-billing initiative because it felt the cost factor to the firm was too high. And JS&H found the e-billing process cumbersome because the bill had to be processed in their billing software, converted to the e-billing format, then, for some clients, uploaded and run through the client or e-billing vendor website. Sometimes the bill had to be processed up to three times!

Usually, the majority of the costs associated with e-billing are borne by the law firm itself, as is the cost for training its staff to comply with the various format nuances. Costs to implement an e-billing system can range from less than \$1,000 to several thousands of dollars a year in fees paid to the third-party e-billing vendor the client has commissioned; charges may include a setup fee and a percentage of each invoice sent or a percentage of the total billed for the month.

So far this year, JS&H has received a number of new e-billing guidelines from clients — an increase it's not thrilled about. One source of frustration is its clients tweaking the LEDES (or other) format to better suit their needs, forcing the firm to have to remember all the extra rules, procedures, etc. in order to conform. The firm may have five different clients using one e-billing vendor, with each client needing to be processed differently. This makes it necessary to train and retrain to ensure that the data is entered correctly the first time, to avoid having the bill rejected for any reason. Of course, JS&H does what is necessary to please their clients.

A Matter of Time

For Gallagher & Kennedy P.A., the implementation curve was steep. It now has the system down pat, but early on a great deal of time was spent training the billing clerks.

Some of the firm's largest clients require e-billing, and several actually have the system in-house and don't require a third-party vendor. In these cases, payments are generally made much faster than with paper bills.

But despite the potential for faster payments, G&K was compelled to tell a new client that it wouldn't provide e-billing because the volume of work just didn't justify the price its time, billing and accounting provider was going to charge for the client's very specific format. Yet, after the firm explained they either needed more work to justify the cost or would keep doing the paper billing, the client understood.

Unfortunately, G&K has found that clients who demand e-billing despite any cost to the firm often nitpick every dime, forcing the attorneys to observe much more carefully how much time they spend on each and every task — which isn't easy. It's especially time-consuming for them when the third-party vendors reject the entire invoice for one small infraction. But more often than not, the attorneys are able to prove to their clients that they're not overbilling them for the quality service they're getting.

What Are Firms Doing Right?

So what are firms doing to help meet the challenges associated with e-billing? Following are some of their recommendations:

***Be involved in e-billing vendor selection.** Work with your clients to choose a vendor that's easy to implement; easy to use; and even better, charges the client for the e-billing process, not the firm. Examine the vendor's past implementations to determine how long they took, how complete they were, etc.*

***Make the transition slowly.** Plan ahead and give yourself plenty of time before stopping paper copies. Train multiple people on how to do e-billing, and test the system for a month or two before going live. While some corporate law departments demand that law firms stop paper billing by a certain deadline, chances are most will be flexible to your needs.*

***Get help from the financial management vendor.** Work closely with your time, billing and accounting provider to make the output of data as easy as possible in whatever format the client demands. Most likely, requirements you may find hard to understand or to*

comply with have already been encountered and a solution is available from your vendor.

***Do your homework.** Memorize each client's guidelines or at least have a checklist of all task and activity codes you need accessible so that you're inputting information correctly the first time. The software may make this painless for you if it has pre-loaded the ABA Uniform Task-Based Management System (UTBMS) code sets, which can be linked to the appropriate clients to make entering time with the right task and/or activity easy for the user. If the client has its own code set, your software should let you set up the code set you need to accommodate the time entry (and cost entry) seamlessly in the same manner as the UTBMS code sets.*

***Keep your staff trained and consistent.** While training is initially time-consuming (one to five hours per client, according to 63 percent of firms in the survey), it is necessary.*

***Keep your client trained.** Many of the issues associated with e-billing can be traced back to incomplete information communicated between the law firm and the client. For example, law firms get frustrated when the clients don't reference the invoice number when sending payment, or when taking deductions without telling the firm the purpose of those deductions.*

E-Billing Is Here to Stay

A recent national survey of law firms, referenced in the October issue of *ACC Docket*, provides some interesting insight into the thinking about e-billing:

***63 percent** see a trend toward clients requiring e-billing.*

***31 percent** say they get paid faster when a client institutes e-billing.*

***78 percent** say they are either in favor or somewhat in favor of e-billing.*

Based on those numbers and other indicators, it's likely that sooner rather than later, e-billing in one form or another will be the norm, and users will regard e-billing to paper billing much like people view online banking to writing a check. As more and more firms are discovering, e-billing is an opportunity to demonstrate the value they bring to their clients and to differentiate themselves from competitors. The result: more work and ultimately, greater profitability.