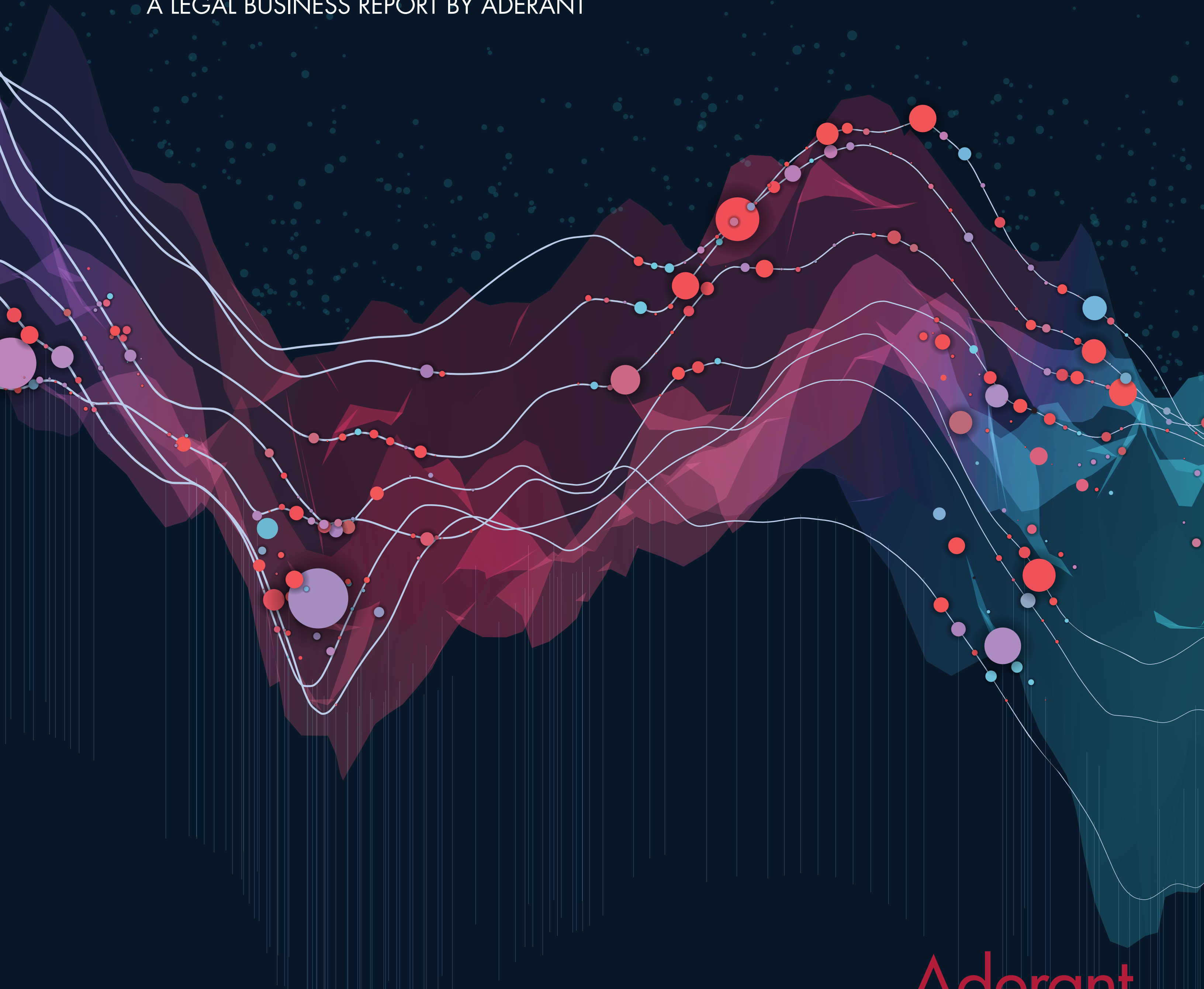
WHAT YOU DON’T KNOW, WILL HURT YOU

The Case for Utilizing eBilling Data and Analytics

A LEGAL BUSINESS REPORT BY ADERANT



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The old saying "what you don't know can't hurt you," surely doesn't apply to the business of law. Things not known about in a law firm can hurt cases and the business. Law firms that lack visibility into what is impacting their financial and operational health are asking for trouble.

Nowhere is this truer than with billing. Having a firm grasp on how billing errors and processes are hitting realization and operational efficiency is vital to the success of the modern law firm.

Urged to adopt eBilling technology by clients over the last decade for more billing transparency and accountability, many firms are now embracing the virtues of eBilling data and analytics for their own purposes.

Without eBilling analytics, firms can't see the root causes of rising billing disputes that harm realization. They also remain blind to billing and other firm process and behavior problems that hurt their bottom line.

EBILLING ANALYTICS TO IMPROVE REALIZATION

Law firm "realization"—typically measured either as the gap between discounted and standard pricing, or the gap between what is invoiced and what the client pays—ultimately impacts partner profits. According to the Law Firms in Transition 2018 survey by Altman Weil, law firm realization has declined for 10 consecutive years.

The proliferation of eBilling is affecting realization in a hyper competitive market where we see rate discounting and alternative fee arrangements (AFAs) as two of the major impacts on realizations. "A growing trend toward eBilling has subjected legal invoices to increased scrutiny, negotiation and dispute," reports Sally Kane in How to Effectively Bill Time as a Lawyer. With the discounting strategy and the increased scrutiny, many firms now leverage eBilling data and crisp analytics to find and correct additional factors that erode realization.

Today many clients issue guidelines that, for example, prohibit lawyers from billing for research that could be done by less-expensive paralegals. Clients also require specificity in time entries. Broad descriptions like "reviewed documents" are no longer tolerated. Clients routinely reject bills with these types of non-compliant charges, leading to payment delays, write-offs, or wasted lawyer time redoing time entries.

eBilling analytics are helping law firm C-Suites look holistically at billing-realization problems. Billing departments are sending CFOs and managing partners reports with crystal clear analytics that shows trends and reveals potential problems. The leaders gain insight on where the billing process is bottlenecked, bill rejection rates, and even identify offices and practice groups with chronic billing problems. They can also start to add up the money they are leaving on the table from disputed bills, write-offs and declining realization, and act to curb the tide.

CFOs are digging into the rich eBilling data to establish firm-wide metrics to improve billing success—few disputes and full, on-time payments. Billing velocity, time-to-collection, and billing rejection rates are emerging key performance indicators (KPIs). Firms that lack visibility and data on billing problems that impact realization will remain at a disadvantage.

Three Ways to Use eBilling Data and Analytics for Success

1 A Canary Beyond the Billing Team

Law firm process improvement is essential for law firm success. Billing is a cross-team process that needs continuous improvement. There are many departments that have roles in getting clients clean bills. As such, root causes of billing delays and downstream collection issues must be discovered where they lie—client intake, lawyer time entry, lawyer onboarding, and other processes.

Billing departments that mine eBilling technology data can locate opportunities for process and workflow changes across the firm. The aggregated data makes it possible to see bottlenecks early in the workflow—why wait until there are growing, unexplained collection issues? The data from the system also helps communicate the problems to facilitate solutions.

For example, eBilling tech data can pinpoint that collection issues stemmed from a failure to set up a new matter in the eBilling system properly. Once the billing department shares this insight with the intake team, they can add the eBilling setup step to their process to help avoid billing and collection problems.

The ability to isolate individual lawyer billing problems can reveal unexpected process improvement opportunities too. It's not always as simple as the lawyer not taking care of their time entries. Perhaps he or she was never trained on time entry and client billing requirement stipulations. Solution: Add this training to new lawyer onboarding.

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2 Improve the Billing Department

Of course, the billing team itself also improves its performance with eBilling technology. The specialized technology eliminates tedious, error-prone manual tasks. Aspects of billing that used to take a day can now be completed in an hour. Client-required invoice formats are now generated by eBilling systems rather than by hand. This improves accuracy, productivity, and job satisfaction.

Billing managers use analytics to monitor their team's performance, identify problems, and remove barriers. For example, if data shows that certain lawyers consistently submit bills that need corrections and it takes days to resolve the issues, a manager can remove this barrier for the staff by having a conversation with the lawyers. Data can also be used to level out workloads in the billing department. All of this adds up to improved overall billing department performance.

3 Changing Lawyer Behavior

Perhaps the most sensitive aspect in this whole equation is lawyer billing errors and habits. Lawyers are very busy people. They typically aren't bubbly about administrative detail like billing entries. As The American Lawyer so aptly put it on January 31, 2019, "What makes lawyers happy? Money, honey."

Firm leaders understand that lawyers are driven by knowledge and compensation. Lawyers like data; they like facts, not wishy-washy guesses. Here's where eBilling data proves its value. When eBilling data (facts) show a lawyer that their actions led to payments of $150,000 on $285,000 in billings, or a substantial reduction in the hours they were credited in a matter, they will be "all in" to solve this problem.

The American Lawyer reports that the happiest lawyers are those making the most money. Any partner hearing that time and billing errors are ultimately chipping away at their compensation will jump on associates to correct this immediately. Lawyers credited with high annual billable hour totals show high satisfaction levels. Violating client billing requirements, or outside counsel guidelines, has a direct effect on billable hours. This should get a lawyer's attention, and be a motivation for change in their behavior.

Partners-in-charge will also be motivated to help change the behavior of the lawyers in their practice group when the data tells them they are leaving a lot of money on the table. Correcting lawyers' billing errors with better habits and/or processes or technology can remedy the situation. Some firms end up requiring that lawyers' administrative assistants review bills before sending them to the billing department.

Conclusion

Originally foist upon them by clients, law firms are discovering that eBilling technology helps them become more efficient and minimize client billing disputes that hurt realization and firm success.

Good data and crisp analytics can help firms monitor, measure, and continually improve billing processes and the bottom line. Smart firms are leveraging eBilling analytics for root cause analysis and process design to improve efficiency and reduce errors across multiple teams.

There's nothing like black and white eBilling data to convince lawyers that they are shooting themselves in the foot with billing errors. Firms that don't use eBilling analytics to see and correct billing problems will continue to hurt their business.

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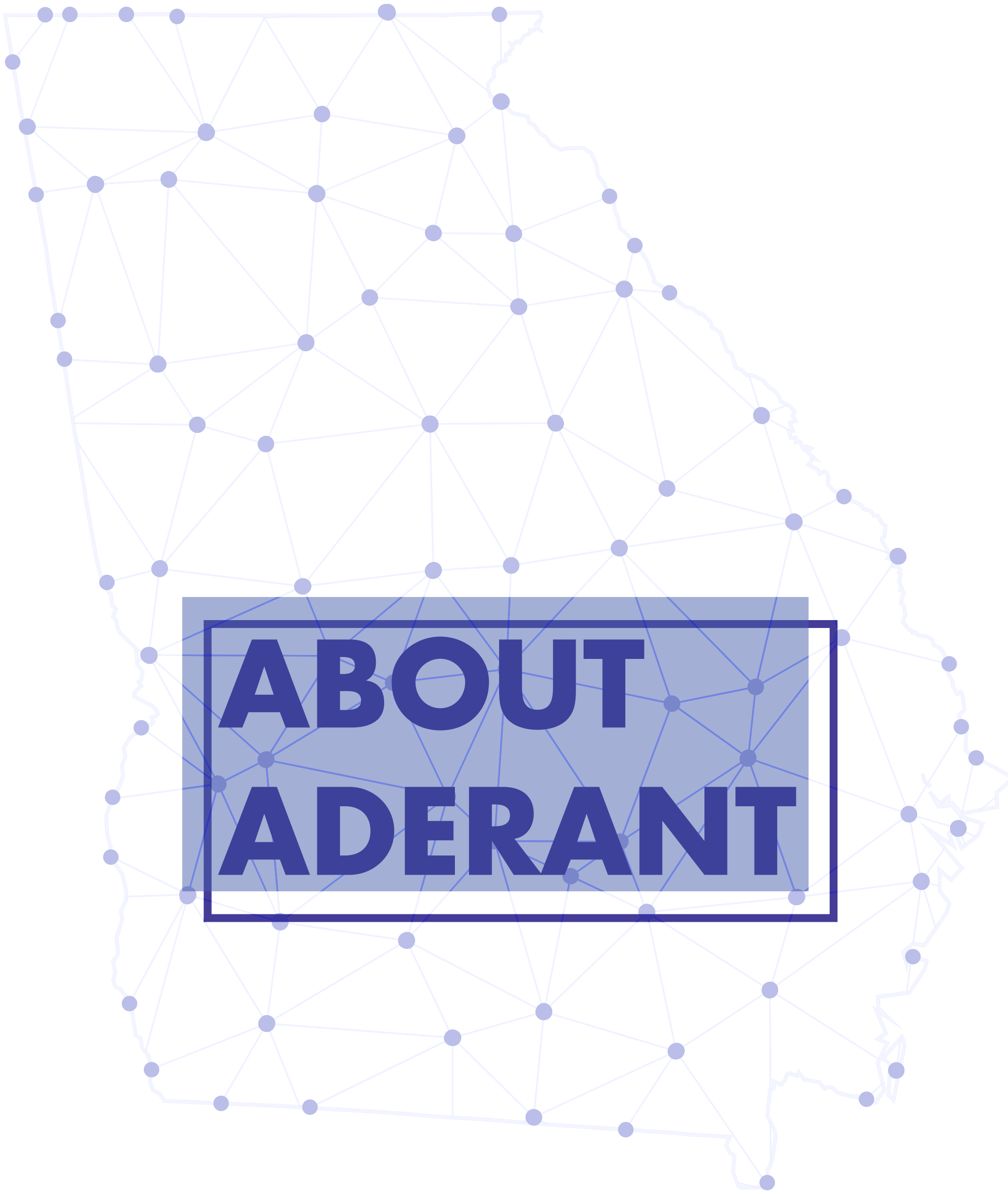

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Aderant, headquartered in Atlanta, Georgia, is a global industry leader in providing comprehensive legal business management software for law firms and other professional services organizations. Aderant is a market leader in technology solutions for practice and financial management, ebilling, knowledge management, business intelligence, matter planning, calendaring and docketing. Aderant is an established and trusted partner with its versatile and innovative technology solutions, superior customer service and reliable implementation process. Aderant operates as a unit of Roper Technologies, a constituent of the S&P 500®, Fortune 1000® and the Russell 1000® indices.

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