

INDUSTRY ANALYSIS

Billing bonus

Chris Cartrett, executive vice president at Aderant, says that firms are giving up on getting billing right – losing revenue in the process. He offers some guidelines for creating a more efficient new normal

The global recession that we experienced a decade ago brought about disruption in many ways, not least the proliferation of new billing rules dictated by clients. Whether you call them outside counsel guidelines (OCGs), client guidelines, or just billing guidelines, the point is that the dynamics of the billable hour have changed.

Like any kind of adversity, you can fight it, complain about it, and ultimately let it define you. Or you can embrace it and say “let’s figure this out”. Aderant’s 2019 law firm leader survey on OCGs revealed that an alarming number of law firms have changed their accounting model and have just, for example, accepted the fact that the firm’s accounts receivable is only 80% collectible. In other words, they budget to write off 20% of revenue as a cost of doing business – and this is just the ‘new normal’. That’s crazy!

OCGs have become obstacles that firms are consistently tripping over. We hear things like “OCGs are too complex to manage”; “clients use them as a way to delay payment”; and “we are losing revenue trying to comply”. It sometimes sounds like many firms are giving up. If you don’t start removing these obstacles, or at least managing them, you are going to see your margins seriously injured.

Breaking the mould

This doesn’t have to be the new normal. We’ve been looking into this situation for years and were the first time and billing solution provider to automate rules and guidelines throughout our billing modules. Our acquisitions over the past couple of years (BillBlast in 2018, and Bellefield in 2019) focus on finding a way through the maze and

removing the barriers to doing business that have resulted from OCGs.

In fact, beyond removing the barrier, we make the time and billing process a way not to just increase revenue realisation, but also to strengthen the relationships between firms and clients. The billing process is an invitation to communicate effectively with your clients and should not bring the finance department to its knees.

For the past few years, we have been aligning resources and developing our solutions with an eye on bringing billing guidelines into the law firm process not only at the point of intake, but throughout the billing and matter life. We’ve been analysing OCGs with our partners to uncover elusive information such as the number of time entries that are wrong or rejected; how much lost revenue resulted from these rejections; where the technology can be improved; and what processes firms can implement to address these specific issues.

We have identified several process improvements for firms, as well as technology improvements that we are on the cusp of making a reality:

Process improvements

- **Centralise** all guidelines into one repository.
- **Assign responsibility.** Someone needs to own the process and be empowered to ensure it is followed.
- **Create OCG summaries.** It’s impossible to execute on OCGs if timekeepers don’t know what’s in them. A summary document should be created to highlight the most important components of the guidelines that must be adhered to.
- **Require affirmation receipt.** Summaries alone are insufficient. They have to be communicated to



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billing lawyers and other key stakeholders who affirm their receipt.

• **Train lawyers.** In the quest to create higher-quality timecard inventory, and therefore streamline the billing process, timekeepers are the critical component. Appreciate that lawyers are working with multiple clients, and that remembering each unique set of billing rules can be challenging. Make them part of the process and summarise what is important to them.

Technology improvements

Technology can assist with managing compliance at almost every phase in the time entry and billing process. This will minimise opportunities for human error, allowing firms to optimise staff resources and prevent revenue lost owing to non-compliance. When you can leverage technology to address OCGs, you can:

- Automate compliance at the time of entry
- Notify timekeepers regarding approval rates
- Centralise your guidelines

- Manage the guidelines throughout the billing process
- Use AI for billing guidelines review
- Automate training programmes for lawyers
- Reduce rejections and appeals.

Lost revenue should be classified as unacceptable – especially when it can be massively reduced through effective process reevaluation and choosing the right technology.

People tend to turn every challenge into the ‘holy grail of X’. While OCGs and billing compliance can be a complex undertaking, it is manageable. But it takes a commitment from firm leadership to address these complexities, and a technology partner that understands the challenges and is committed to solving them.

Insert your firm’s percentage of lost revenue due to OCG writeoffs here ... and then do the maths. What does that translate to? How much more in profits per partner, employee bonuses and associate compensation does that amount to? Is that the new normal? I beg to differ. ▀