The New World of E-Billing

Legal administrators play pivotal roles as their firms become more heavily invested in electronic billing practices.

BY PHILLIP M. PERRY

Earlier this year, the Chicago law firm of Brenner, Ford, Monroe & Scott faced a serious problem. A client had been sitting on $100,000 worth of invoices for several months and not responding to persistent voice-mail messages. After more calls were made and more delays incurred, it came to light that the person in charge of payments had left the corporation long ago and his voice-mail message had never been changed.

That's the problem with paper bills, isn't it? All too often they end up languishing in a corporate mailbox. It stands to reason, then, that processing bills electronically might help free the receivables logjam. And that turns out to be the case. E-billing, touted as a way for corporate clients to better monitor their legal expenses, has been helping law firms to collect their money.

At Brenner, Ford, where more corporate clients are requiring e-billing, the benefits have been dramatic.

"We usually receive our money within 30 to 45 days, compared with up to two months with paper-based systems," said Legal Administrator Maggie Palomo.

THE EMERGENCE OF E-BILLING

Law firms of all sizes are getting involved in e-billing. Wyatt, Tarrant & Combs, a Memphis, Tennessee-based firm with more than 200 lawyers in seven cities, is sending bills electronically. So is Washington, D.C.-based sole practitioner David H. Baker, who was required to bill three clients electronically within a month of striking out on his own in 2006.

What's fueling the e-billing engine? That's no secret. "Corporate law departments are dictating that e-billing be done," said Scott D. Rosenberg, Managing Director of Chicago-based Huron Consulting Group. "It is pretty rare that initiatives associated with cost control are not being put in place, and most law departments are being held accountable for their business practices as much as any other divisions. So, more e-billing systems are being put in."

SHORTCUT

For law firms, e-billing systems do more than help collect money quicker. They also assist in tracking receivables from the time invoices are sent to the time they are rejected or paid. Legal administrators can play key roles in their firms to ensure e-billing practices succeed.

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"E-billing helps expedite payments," said Zack Hasanov, Administrator at New York-based LeBoeuf, Lamb, Greene & MacRae. "You can click a few buttons on the Web site to see if a bill has been paid or is ready to be paid. If some part of the bill is rejected, you don't have to worry about the whole thing being sent back to you, which would require more manual processing time. Instead, an e-mail is generated about the problem, you make the required changes, and the check is processed."

Indeed, a law firm can often receive a portion of the billed amount for a matter even if the client questions some part of the total amount.

"If you submit seven invoices, for example, and the client has a problem with one of them, the other six can be paid," said Shelia Webster, Legal Administrator at Wyatt, Tarrant. "In contrast, with traditional hand bills, the client will usually hold onto all of them until the problem is corrected."

BUILDING RELATIONSHIPS

E-billing systems also let handlers resolve issues quickly and in a way that is least stressful.

"I don't want to make my client mad by an invoice I send," said Robert L. Crawford, a Partner at Wyatt, Tarrant. "Many errors are caught at the initial stage. If an unapproved timekeeper shows up on a bill or there is an improper rate, the matter can be corrected before the in-house attorney reviews it."

Given the collaborative nature of e-billing, it's to be expected that the systems help business relationships grow.

"To be asked by a client to be part of e-billing is a sign that the relationship is solid and getting better," said Crawford. "The client is saying 'We are on the same team.' Corporations don't ask every law firm to join because there is a time and cost commitment required on both sides."

THE ADMINISTRATOR'S ROLE

While lawyers benefit from quicker payments, they are also wary of getting entangled in technology. Multiple clients, for example, may be responsible for different portions on one bill. And each client may be using a different e-billing system.

Given the complexities involved, it's vital for every firm to have someone on board who understands the e-billing system and makes sure it runs smoothly. At many firms, that person is the legal administrator.

"I see legal administrators becoming more involved as e-billing becomes more common with clients," said Rosenberg. "It's another annual expenditure that needs to be managed just like any other, from the cost of copying to the cost of expert witness fees."

That's the case at Wyatt, Tarrant, where Legal Administrator Webster plays an important role in making sure the e-billing process goes smoothly.

"My goal is to make sure the client is pleased with the process as far as getting the e-bills submitted in a timely manner," she said, adding that often means laying the groundwork in advance of the first e-bill.

"When a client announces an e-billing requirement, we meet with them to determine what e-billing software they will use, and then we coordinate with our IT and accounting departments to assure a seamless interface with our internal billing system."

At Brenner, Ford, Legal Administrator Palomo sees her role as one of coordinator, learning how the software works and assuring a smooth path between clients and the five third-party vendors with which the firm now maintains e-billing arrangements.

"Learning how their software works is fairly easy," she said. "The first time, of course, is always the trickiest. But the vendors usually set up telephone training sessions during which we enter dummy invoices, and that makes it a lot easier."

When preparing an e-bill, Palomo first prints a pre-bill worksheet, which she passes to the attorneys for review. She inserts any corrections into the firm's internal billing software. She then checks

Paul Zengilowski, *Director of Product Marketing*, DATACERT, *Houston, Texas*

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a spot on the electronic form, which indicates an electronic bill and exports the data in the required format. That data is then transmitted to the third-party vendor.

BURGEONING BENEFITS

The benefits of e-billing are clear to Palomo after the invoice is submitted because following up is a breeze. "If I click on an invoice or a case I get the status as to where the payment is at their end." Is it pending review? Has a check been cut? Are there any concerns about any line items? Adjustments are handled by e-mail.

Firm Partner Scott R. Britton says that Palomo's work is critical to the success of the program. "You need a person on the front lines making sure the information is transmitted correctly," Britton said. "This is the key to making the whole thing run smoothly."

Other law firms report having similar experiences.

"At many firms, a key role for the legal administrator is identifying the errors, minimizing their impact, and resolving them before invoices are submitted," said Paul Zengilowski, Director of Product Marketing at e-billing vendor DataCert. "That's easy to say, but harder to do."

One way to obviate delays, he adds, is to contact the client a couple of weeks before e-bills are about to be sent and ask for a report listing the timekeepers currently authorized to invoice. Ask that any missing timekeepers be added in before the e-bills are transmitted.

TESTING SYSTEMS

Nothing goes smoothly without a good deal of groundwork, and e-billing is no exception. A law firm must assure a system works properly every time a new client hops aboard.

"The biggest hassle is making sure your system is set up to abide by your client's submission guidelines," said Hasanov. "If the client has approved 10 cents per page for photocopying, and your code calls for 20 cents, then you have to fix that." Your task and activity codes must correspond with UTBMS (Uniform Task-Based Management System), and your firm's internal matter numbers have to match those of the client.

Timekeeper rate changes also have to be handled efficiently. "Suppose your attorneys' rates all change on a certain date," said Hasanov. "You need to go to the vendor's site, update the rate entries, and obtain the client's approval before submitting an e-bill with the new rates. Otherwise, the invoice will be rejected."

Hasanov leaves nothing to chance: "We send a test invoice for every new client. Sometimes we see problems and can correct them before we go live."

TAKING CHARGE

As the primary drivers of the e-billing trend, many large corporations already have preferred vendors that they require outside law firms to utilize. That's not yet the case with medium-sized and smaller corporations, many of which are expected to move into e-billing arena soon. This presents an opportunity for law firms to get ahead of the game, research the available vendors, and be prepared to serve an advisory role when clients start considering automated invoicing.

"It's important for law firms to be more proactive," said Rob Thomas, Vice President of Strategic Development at Serengeti Law, an e-billing vendor. "Rather than waiting for their clients to impose e-billing systems (some of which may be hard to use and expensive), they should get involved in the selection process to ensure that they get a system that is practical and cost effective for both sides of the relationship."

Hasanov, who works with several e-billing vendors, suggests that law firms survey the field to see what's available.

"The first step is to get a complete a list of all vendors," said Hasanov. "Then visit their Web sites.

Shelia Webster, *Legal Administrator,* WYATT, TARRANT & COMBS, *Memphis, Tennessee*

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If what they offer seems interesting enough, then ask for more materials to see if their programs meet your needs. It's also a big help … to participate in teleconferences and Web conferences with the vendors. They can demo their entire programs, from creating a matter to submitting an invoice to the client."

PLANNING FOR SUCCESS

One more important trend that will impact law firms with overseas clients: E-billing is going global.

"As recently as three to five years ago, these systems were implemented only in the United States," said Matt Den Ouden, National Director of Client Solutions and Strategy at Hartford, Connecticut-based CT TyMetrix, an e-billing vendor. "Today, most global clients want their law firms using these systems."

As e-billing becomes more entrenched in the legal world, many observers expect the systems to expand their scope in ways that can strengthen the ties between law firm and client.

"Some of the more advanced systems are starting to combine e-billing with matter management," said attorney Crawford. "That's a wonderful thing because it lets you put the billing process in the overall context of the case itself. Being able to keep the budget forecasts in front of you as you work though the billing process keeps your budget within bounds. Corporate clients are very conscious of budgets, and as outside counsel you want to avoid giving them surprises."

However e-billing evolves, it's a sure bet that it will become a higher-profile issue at law firms everywhere. If automated billing is music to clients' ears, it follows that law firms wanting to remain viable will need to dance to the tune.

"Many corporations are continuing to whittle down the number of law firms with which they deal," said attorney Britton. "Firms that have problems with e-billing may not make the cut the next time around."

about the author

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ALA Resources

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- *Results-Oriented Financial Management: A Guide to Successful Law Firm Financial Performance*, by John G. Iezzi
- *The Essentials of Finance and Accounting for Nonfinancial Managers*, by Edward Fields

The following are accessible via ALA's Legal Management Resource Center. Visit *http://thesource.alanet.org*. Type keyword "**e-billing**" in the search engine.

- "E-What? E-Billing – Frequently Asked Questions," by James Eidelman
- "Assessing the Value of E-Billing," by Cole Morgan
- "E-Bill It (And Get Paid Fast!)," by Theda Snyder

The following article is available in the *ALA Management Encyclopedia*℠ (ALAME), *www.alaencyclopedia.org*.

- "E-Billing Management"

A CD-ROM from the following ALA teleseminar is available for purchase at *www.alanet.org/education/regconf/telesem.html*:

- "Protect Your Firm from Unintentional – Possibly Unethical – Billing Practices"

On the Web

- *TheLawyer.com*, "E-billing: thrilling or chilling?" – *www.thelawyer.com/cgi-bin/item.cgi?id=122007*
- Hildebrandt International, "Law Departments - Practical Tips On E-Billing" – *www.hildebrandt.com/Documents.aspx?Doc_ID=2527*