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Bringing billing into the digital age

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For solo practitioner Anne Raduns, technology has transformed her monthly billing system into an efficient process. A family law attorney in Ocala, Fla., Raduns says she has automated her office and has created a fairly seamless workflow.

Recording her time instantaneously on her phone using an app for legal timekeeping, Raduns can start the billing process from home. "I can remote into my computer. I can tell it to bill all matters and then I can drive into the office," she says. "By the time I get into the office, all the matters have been billed. They're stapled and waiting on the copier for me."

Raduns doesn't have an office manager, opting to do everything herself with the help of electronic billing and matter management software. "For solo practitioners in today's market, they have to be really streamlined," she says. "Otherwise, it's a disaster. It's a disaster for your client who's not getting a bill monthly. It's a disaster for the attorney who's not getting revenue from his billing. It's lose-lose."

But technology designed to increase productivity, in some cases, has actually complicated or slowed the billing process.

The introduction of smartphones and tablets created the Bring Your Own Device movement, which makes it possible for attorneys to conduct business anywhere at any time.

"You would think that these smart devices would increase productivity," says John Kuntz, co-founder and principal at Bellefield, a legal software company. "But what happens is these devices actually caused a loss in productivity ... it's dramatically decreased it," he says. "You can't focus on any one thing without being completely interrupted via text messages, emails and phone calls."

These interruptions often go unrecorded, or are recorded at a later time, which results in lost time and lost revenue, says Kuntz.

Kuntz and his partners saw a need and developed an application for mobile devices called iTimeKeep that allows attorneys such as Raduns to record time instantaneously on their phones. "What we are doing is giving them a tool where they can easily, no matter what kind of attorney you are, contemporaneously enter their time and be done with it," he says.

Kuntz predicts technology will continue to simplify billing management, with access to legal billing accounts becoming as commonplace as access is today to bank accounts through mobile devices and the Internet.

While technology solutions are emerging to keep track of billable hours, the legal industry is still struggling with electronic billing systems that were designed to make billing more efficient for the client and the firm.

Often corporate clients want firms to use their company's e-billing system. In an effort to accommodate these clients, firms are

faced with handling multiple e-billing systems for various clients that, in many instances, create a management nightmare.

Chief Financial Officer David Smith of Sutherland, Asbill and Brennan doesn't hide his frustration with electronic billing.

"I have some fairly strong opinions about it because I think the hoopla that was sold to the law firms about how e-billing would speed up the processes of the law firms getting paid, in my experience in the last 12 years, has not been true," he says. "If anything, it's slowed the payment process down, and in some cases, it's like walking through molasses."

The explanation for the slowdown is too many electronic billing vendors, each with its own process and standards, says Smith. At Sutherland, the firm manages 18 different e-billing systems.

"If things aren't exactly right—whether it's an issue between the vendor and the client, the client and the lawyer, or the client and accounting—that kind of delays it on the front end," he says. Smith adds that even when the bill is finally approved by the e-billing vendor, it often gets held up by the client because of discrepancies.

"In some cases it works quite well," Smith says, "but in the majority of cases that I've been involved with ... it's not worked like people thought it would."

To complicate matters, Smith says when the management of the different e-billing systems became unwieldy, an additional application became available to manage those systems for law firms and that created yet another layer in the billing process.

The solution, he says, is standardization.

"Standardization would make things much easier, and I think cleaner and clearer to both the client and to the firms," he says. But Smith adds that standardization would need to come with some parameters within the process to ensure it is timely and efficient.

"I've had cases where [the invoice] literally hung around the e-billing vendor for two months before it was ever passed on to the client because they were behind or busy or whatever. That's ridiculous," Smith says.

With the growth of e-billing, so also have client demands for transparency and more detailed bills increased.

But for clients to truly understand and manage their costs, they have to know them, says Toby Brown, director of strategic pricing and analytics at Akin, Gump, Strauss, Hauer and Feld in Houston. Brown says his job is part of a "hot and popular" trend in law firms to handle the pressures in the market for alternative fees and discounts. By analyzing data, costs and price structures, he assists clients and partners in understanding what kind of pricing meets their needs.

Brown admits that analyzing the data is not always easy. "I've analyzed literally thousands of past matters," he says. "My classic example [of the price range] is a single plaintiff employment litigation. When I was at a prior firm, I analyzed 35 matters and the fees ranged from \$9,000 to \$900,000."

But there are some unexpected nuggets to be found in the data, he says, such as determining staffing trends and which staff is used for certain tasks. The data-gathering is made possible through billing technology, Brown says.

Taking the discussion to a higher level, Brown says the fundamental business model of a law firm is changing and that will affect all aspects of the industry, including technology. Pulling from his economics background, he predicts many firms will switch from a cost-plus business model to a profit margin business model.

In other words, "we need to shift the conversation from hours and revenue to revenue and profit," he says. "Once you do that—like all the technology that we use— even the organization structure of our law firms will start to change because we'll look at how we do things through a very different lens."

Brown says this change should be a positive one for the consumer. "I think it will be good for the client. Ultimately what we're trying to do is serve our clients and do it in a cost-effective way for them," he says.

At Holland & Knight, partner Harold "Hal" Daniel says the most significant change he's seen is with clients. "Clients are much more demanding, even individual clients," he says. "They may not know exactly what to ask for but they do scrutinize the bill very carefully."

Although Daniel still bills most of his clients the old-fashioned way with a paper copy or a copy of the bill emailed to the client, he thinks billing electronically actually can speed up the process.

"From the standpoint of the law firm it can be more efficient, and the bill gets to the client faster," says Daniel. "I'm not persuaded, though, that it results in faster turnaround. I think corporate clients have a billing cycle, and I don't think getting the bill sooner means they pay the biller sooner."

James Wilber, a principal of Altman Weil legal consulting, says he's seen the impact that client demands have made. "Consumers became a lot more tech-savvy and the general population took to the Internet and various technology," he says. "The lawyers who service those people have had to match what their clients do."

And the demand came from corporate clients first, says Wilber. "The lawyers who serve business clients were faced with the need to make these kinds of changes earlier than the lawyers who serve individuals."

It's important to meet the client's demands, says Sutherland's Smith, but only up to a point. "If you're having to react with a different technology in answer to every client demand, the firm takes on this big infrastructure cost," he says.

The growth of legal technology has been forced not only by clients but also by a competition for legal services, says Brown. "One of the emerging competitors for us is not law firms," he says. Legal process outsourcing is gaining momentum in the industry, particularly in litigation where document review can be outsourced at a much lower cost.

"[LPO providers] are growing at a clip of about 30 to 40 percent per year," Brown says. The growth has been enabled by technology because most of the outsourcing is overseas. "They can shift tasks to people who are paid \$10 an hour instead of \$50 dollars an hour," he says. "Technology has clearly enabled that sort of competition to emerge."

Yet with all the changes technology has created in the legal industry, one of the greatest challenges has no technological solution: An attorney's dread of recording billable hours quickly and accurately.

"There's sort of this myth out there that it takes a tremendous amount of one's time to record time and turn it into a bill," says Wilber. "If I talk to lawyers, they tend to say it's a lot more difficult thing than it really is to keep track of your time. It's getting people past that mental obstacle that is the most difficult part."

"It's something we all have to do," says Daniel. "We're all looking for ways to make the (billing) process as easy as possible and to get paid as soon as possible," he says. "It's a burden we all bear."

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