Furthering the Case for Fixed Fee Billing

Numerous tasks go into the completion of a legal matter. While some of these responsibilities are directly related to the advancement of the case and its objectives, others are less imperative and essentially serve to only increase the number of billable hours with no furtherance of the matter.

While potentially profitable, the latter classification of tasks can prove troublesome for a firm. Flat fee billing arrangements effectively prevent useless tasks, by making them less attractive and counterproductive to the profitability of the case.

Under an hourly billing system, less than necessary tasks can still add value to the law firm. As long as there is some connection between the assignment and overall objective of the case, even at a minimal level, many managing attorneys feel justified in relegating these tasks to associates, often with unlimited amount of hours for completion.

Benefits of Fixed Fee Billing

For example, a litigation partner may assign unlimited hours to an associate for research about an obscure property dispute issue that is only slightly relevant to the case. While it may be prudent to devote an hour of preliminary research to the issue, spending substantial amounts of time on a task that does not further the overall goal of the matter is unnecessary.

While this type of task can substantially increase the profitability of a case for the firm, what value does it provide for the client? Not only are these menial tasks of little assistance to the matter at hand, they can also become a point of contention between the law practice and the client.

When clients review their bills, they want to see tasks that are reasonably related to the outcome of the case. When they are asked to pay for seemingly unnecessary services, they are more likely to complain and/ or refuse payment, which can lead to a dispute that will likely not prove worthy of a few extra billable hours.

When this waste of resources occurs, it is generally not with an intention to pad fees or overcharge the client. Most often, it stems from a lack of planning and aforethought.

An attorney who is unfamiliar with family law may genuinely believe that an obscure property law is relevant to the distribution of property in a divorce matter. Under a billable hour arrangement, he has no incentive to better evaluate the issue before undertaking extensive research and billing the client for an unnecessary task.

The flat fee billing model differs in that it provides that incentive for the firm to work in an efficient manner. Knowing that there is a set bill amount encourages firm members to better evaluate their use of time. Unlike the hourly billable system, a flat fee arrangement offers no reward for less productive tasks and even makes them unprofitable.

It is in the firm's best interest to solely work on tasks that further the objectives of the matter and bring the attorneys closer to concluding the case, which can ultimately result in increased productivity and profitability.

Benefits of Fixed Fee Billing

About Erika Winston:

Erika Winston is a Virginia based writer with a passion for all things legal. As a former domestic relations attorney, she understands the challenge of determining the best fee structure for your practice. Erika is a regular contributor to TimeSolv and a variety of other publications.