

What is legal billing optimization and how can it increase law firm revenue?

Legal billing optimization is a complete investigation and analysis of your entire billing process to pinpoint deficiencies and identify areas for potential improvements. Billing is one of the most challenging and important tasks of any legal practice. But effective legal billing requires effective workflows, procedures, and tools. Without these processes in place, law firms lack the resources to ensure that invoicing is being completed accurately and in a timely fashion.

The process of optimization essentially starts with an audit into past billing practices to identify billing errors, creating a foundation for future cost savings. Billing issues need to be identified and resolved as quickly as possible. When legal practices fail to handle these tasks, it can result in client billing disputes and unpaid invoices.

The assessment process

To initiate a legal billing optimization process, start by assessing the following items:

- Frequency of billing – This metric looks at how often your law firm is sending client invoices.
- The efficiency of the billing process – This examines the billing process to identify any inefficiencies that occur within your law firm's billing procedures.
- Average time for invoice payment – This metric measures the average amount of time clients take to pay your firm invoices.

- The number of invoices not paid – Calculation of the number of firm invoices remaining unpaid and transforming into bad debt.
- Client billing disputes – A look at common client disputes to identify frequent complaints and concerns.

If any of these metrics demonstrate a repetitive or chronic problem with your law firm billing, it is important to address and rectify the issues as quickly as possible.

Once you have identified your law firm's billing deficiencies, it is time to take that information and develop an actionable plan going forward. Billing inefficiencies can cost law firms significant amounts of money. Poor practices like disorganization, poor client communications, late invoices, and inadequate time tracking lead to inefficiency and decreased revenue.

Billing is a time-consuming task that unfortunately cannot be passed onto the client. That is all the more reason for lawyers to find the most timely and efficient procedures for getting their invoice practices done. Every minute that lawyers spend time tracking and invoicing is a minute that you are not working on billable activities, so it is vitally important to implement processes that lessen the amount of time these tasks take to complete.

Here are some specific ways that law offices can use the information gained through legal billing optimization to increase their firm revenue:

- **Electronic Billing** – Some law firms should consider using electronic billing codes to streamline the billing process and increase revenues. LEDES, one of the most popular electronic billing systems, was created by the Legal Electronic Data Exchange Standard Oversight Committee (LOC) to provide a standardized billing system that accurately categorizes legal tasks and expenses. For law firms that work with businesses that require the use of LEDES billing, TimeSolv legal billing software offers electronic billing options for ABA task codes, UTBMS, LEDES 1998b, LEDES 1998BI, Chubbs, and Litigation Advisor.
- **Accurate time tracking** – Law firm billing discrepancies often stem from inadequate and inaccurate time tracking. Attorneys and support staff may forget to track time expediently, lose paper tracking records, or record inaccurate times. A comprehensive time tracking program helps law firm members accurately and expediently track their time to

start the invoicing process off on a productive note. With TimeSolv's time tracking feature, members can quickly track tasks with a click of a mouse on their desktop or through a mobile app on their smart device.

- **Regular billing** – For maximum revenue, law firms should be invoicing early and often. By procrastinating in the billing process, lawyers leave clients guessing about the work completed on their cases. These instances can lead to unpaid bills and billing disputes. Some legal experts suggest that law firms should bill strategically, after events that provide clients with the greatest value, like a win in court or a productive negotiation. Every day that passes after an event occurs is an additional day that the perceived value is diminished. Waiting weeks to send a bill may result in an unpaid invoice.
- **Detailed billing** – Clients prefer detailed billing as opposed to block billing or general statements, making detailed billing better at promoting the timely payment of client invoices. A single block time entry may look like this:

Drafted pleadings, Telephone Conference with Opposing Counsel, Review of Medical Records: 5 hours

Clients generally do not like these types of billing descriptions and often end up questioning why such a large amount of time is being billed for seemingly small tasks

Detailed billing uses single time entries, listing each task separately, along with the amount of time the individual task took to complete. Unlike block billing, detailed billing provides the client with specific information about work completed on the case. These invoicing options also provide the client with detailed task descriptions. So, instead of simply listing a meeting, the task description might say:

A settlement conference with circuit court judge as required by the trial court: 3 hours

This entry gives the client enough information to immediately know what service they are being billed for, cutting down on doubts and promoting timely payment.

Legal billing optimization provides a useful tool for law firms to analyze their past billing practices and plan better procedures for the future. If your law firm invoicing is not resulting in the level of revenue you expect and desire for your firm, legal optimization may provide the help you need.