



Preparing for the e-billing revolution

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A change is coming. If your firm works for large or medium-sized corporate clients, chances are some will soon be demanding that you submit bills electronically - if they haven't started already. It's called e-billing, and it's the way of the future.

What will it mean to your firm? That depends on which e-billing service or system your clients adopt. There are several, and many law firms will find themselves having to use more than one. The impact e-billing will have on your firm also depends on the time and billing system you currently use internally, and on your firm's level of technological expertise.

The good news? E-billing is not necessarily a bad thing for law firms. In fact, it may be mostly good. Best of all is that it typically has little or no impact on lawyers. There is no point in fighting it in any case. Clients that decide to do e-billing generally offer outside counsel no option. It's e-bill or lose the business.

Bereskin & Parr, a Toronto-based intellectual property law firm with about 70 lawyers, has been e-billing since early 2005. It was given no option.

Bereskin has clients all over the world, including the U.S., where it's estimated that 15 per cent of in-house law departments now require outside counsel to e-bill (Canada lags well behind). Today, Bereskin submits invoices electronically to six clients, all U.S.-based Fortune 1000 corporations, including one with more than 30 operating divisions.

The firm uses three different e-billing systems. Serengeti Law, which it uses most, is a market leader. TyMetrix Inc., adopted by two clients, is a close competitor. Both are web-based, meaning firms don't need to install new software or hardware - they only need a standard PC with Microsoft Internet Explorer and internet access. Both are legal-specific systems. A seventh client recently asked Bereskin to e-bill on a third system, from Xign Corp., which also is used for electronic settlement in other industries.

Bereskin's director of finance, Dennis Nault, says the impact of e-billing on his firm has "been positive. And we know it is for the client. It just makes everything more efficient."

There is no question about the benefits for in-house law departments, which is why they are driving the adoption trend. Law firms submit bills over a secure internet connection. The data arrives in a format that allows it to go directly into the clients' accounting systems. This eliminates mundane administrative tasks such as opening envelopes, hauling paper, and re-keying information.

E-billing systems can automatically catch mistakes in bills, or instances of non-compliance with a master contract, and send invoices back to the issuing firm for correction. E-billing software vendors claim this knocks anywhere from five to 15 per cent off of legal costs, because human reviewers miss many of those errors.

The software also saves reviewers' time. They don't have to check for simple errors and non-compliance, but can concentrate on making judgment calls on value received. Most e-billing systems provide easy-to-use, web-based tools for reviewing, changing, and annotating bills, and routing them through a chain of approvals.

E-billing systems also generate reports that allow clients, especially large, complex organizations, to more clearly see where they're spending on outside counsel and what kind of return they're getting. Many will use this information to negotiate better terms and figure out which firms to use in future.

Not all of this sounds entirely positive for law firms, but Nault says his firm has seen no sign of clients steering business away from Bereskin because of the analytical information e-billing systems generate. Nor have any clients asked to renegotiate rates because of information they've garnered from these systems.

Bereskin's accounting manager Jennifer Brown, who is responsible for posting e-billed invoices, says there were a few cases early on of bills being rejected, but not for non-compliance, only because the firm hadn't used Serengeti correctly. "There's a learning curve," Brown says. But not a very steep one.

There are also benefits for law firms. That's because e-billing systems manage workflow and enforce deadlines for reviewing bills, so invoices move through the client's system more quickly and are paid faster.

Rob Thomas, vice president of strategic development at Serengeti Law, says some clients may sit on bills for "cash management reasons," but "I would say the majority are paying significantly faster."

That has been Bereskin's experience. Brown says e-billing clients pay within 30 days, most between 15 and 20. With non-e-billing clients, it varies from 15 to 60 days for Canadian clients, and can be longer for foreign clients.

Chasing clients for payment is a challenge for most firms. Thomas, who was managing partner of a law firm, says, "The longer [bills] sit out there unpaid, the less likely they'll ever be paid." Not only does Bereskin not have to chase e-billing clients, it also deals with fewer payment problems. One client, for example, often mistakenly paid U.S. dollars at par with Canadian, which required adjustments.

It's also easier to resolve billing issues that arise, because clients send queries closer to the time the bill was prepared and the work done. "Trying to answer questions three months after the fact can be difficult," Thomas points out.

There are other benefits, too. Some clients, for example, demand that outside counsel produce reports, such as budget/actual comparisons, which some e-billing systems generate automatically, saving the firm the trouble. But what's the cost to law firms for e-billing?

You may in some cases have to install software or even hardware to communicate with a server-based system at a client's office, but the most popular e-billing systems, such as Serengeti and TyMetrix, require no additional software or hardware. Some e-billing services charge firms. Bereskin, for example, pays TyMetrix US\$2,200 a year per client. Serengeti doesn't charge.

Some time and billing programs may not be able to format invoice data the way the e-billing system needs it, without custom programming. However, if the time and billing system can output bills in LEDES (Legal Electronic Data Exchange Standard) format, which most modern programs can, this is generally not an issue.

With Serengeti, firms using LEDES-compliant software can submit many bills simultaneously with a few mouse clicks, saving much time. Bereskin uses an older system, however, and must go through a couple of extra steps to prepare invoices, and it can only post one at a time. It takes about two and a half hours a month, Brown says.

So what happens if you hear that a client is considering a move to require you to e-bill? Thomas suggests being proactive. Urge them to adopt a system that makes it easy and cheap for law firms. In an ALM Research survey of U.S. law firms last year, Serengeti was ranked the best, by a considerable margin.