

ELECTRONIC BILLING IN
THE LEGAL SPACE
INDUSTRY TRENDS AND
TIPS FOR LAW FIRMS



Over the past 10 years, the legal industry has seen tremendous electronic billing (e-billing) growth. But, as many firms have discovered, the e-billing benefits touted by their clients can be elusive. The hoped-for faster invoice approval processes and shorter bill-payment times have not always become the reality.

As more and more clients move to e-billing, and with more than 30 spend management vendors to choose from, law firms often end up having to work with a mish-mash of different systems—each with its own format requirements, portal for collecting electronic invoices, user name and password, and so on. Even if each client requires only one specific e-bill format, when multiplied by dozens of clients over numerous different systems, the work for the law firm increases exponentially. Submitting invoices ends up being a time-consuming and expensive proposition, particularly when a firm creates and sends hundreds or thousands of e-bills each month.

But how big a problem are these issues, and to what extent are they encountered by law firms? A report by Georgetown University Law Center and Thomson Reuters Peer Monitor found the realization rates for law firms in 2015 decreased to 83%, from 93% just 10 years earlier. Given the decrease in realization rates, the need for law firms to have the most efficient and optimized electronic billing system possible is an absolute necessity.¹ Law firm clients are increasingly using electronic systems to flag high amounts or automatically reject certain line items. Additionally, “pushback” has increased from virtually nothing to three percentage points over the past three to four years.² Of course, this challenge varies from firm to firm and client to client. You can always extrapolate from your own firm’s experience, but trends across the industry are useful indicators to help your firm take the right course of action.

With eBillingHub® from Thomson Reuters, we have a unique opportunity to answer these questions with facts. Because eBillingHub occupies a very central position in the e-bill flow of its users, it provides a window into e-billing processes at an unprecedented volume. Whether you use eBillingHub or not, the data provides a view into trends, common issues, and hot spots that can be of use to any law firm tackling e-billing. We also offer our recommendations to help increase the efficiency of the e-billing process, to help you shorten the bill to pay cycle, and to improve your firm’s bottom line.

TRENDS

1. E-billing continues to grow, particularly for international clients and smaller businesses.
2. Efficiency is increasing, shortening the average days to pay cycle.
3. Accuracy is increasing, reducing rejection rates.

RECOMMENDATIONS

1. The biller should “own” the client.
2. Train your lawyers.
3. Catch the problem as early as possible, before it moves downstream.
4. Train your clients.

ABOUT eBILLINGHUB AND OUR DATA POLICIES

eBillingHub is a fully integrated, SaaS e-billing solution that integrates with a broad range of financial platforms. Users access the application through a single portal and use a centralized dashboard to access information in real time. The solution condenses the e-billing process by integrating users’ time and billing software with multiple e-billing vendors specified by the firm’s clients. All information and billing routes through a single location: eBillingHub.

No information is stored, other than what’s necessary to submit the bill and provide tracking and reporting services for your firm. Invoices are deleted as soon as they are paid. However, since the software occupies a central position in the flow of e-bills, at Thomson Reuters Elite, we have the capability to view the volume of traffic from a “big picture” perspective. Since eBillingHub also offers training and e-billing process improvement services to hundreds of firms every year, we have gathered considerable in-house knowledge about the challenges most commonly encountered by law firms using eBillingHub. Through webinars, white papers, and customized training programs, we offer best practices and “dos and don’ts” to help firms achieve higher efficiencies.

eBILLINGHUB: BY THE NUMBERS

eBillingHub is currently being used by more than 416 law firms throughout the world, including 70% of the Am Law 200 in the U.S. Additionally, we have more than 7,000 billing professionals using the system and have processed more than 12 million invoices to date.

So, what are the trends? And what do they mean for you and your firm? Let’s take a look.

Trend 1: E-billing continues to grow, particularly for international clients and smaller businesses.

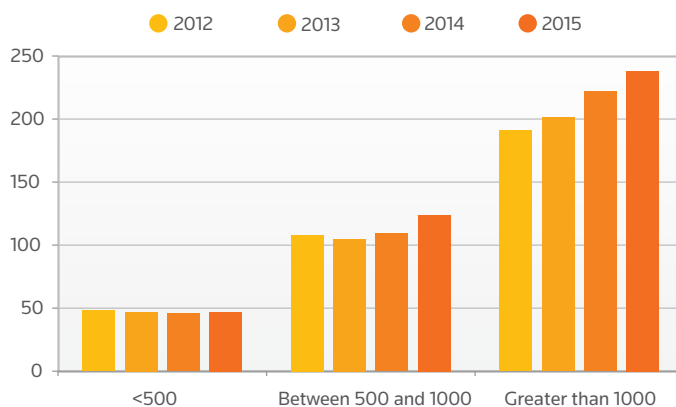


Figure 1. Average number of clients e-billed per firm, grouped by the monthly bill band that each firm subscribes to in eBillingHub (2012 – 2015).

1. https://peermonitor.thomsonreuters.com/wp-content/uploads/2016/01/2016_PM_CT_Final-Report.pdf

2. Jennifer Smith, "Happy Holidays. Now Pay Me," *Wall Street Journal*, December 22, 2013, <http://online.wsj.com/news/articles/SB20001424052702304773104579270470475326780>

E-billing is growing among the law firms that use the eBillingHub service, as shown in Figure 1. For firms in the “greater than 1,000” bill band (bill bands indicate the range in the number of bills a firm submits per month), the number of clients e-billed monthly from 2012 to 2015 grew 25% (from an average of 191 clients to 238). For those firms who sent out 500 to 1,000 bills each month, the growth in clients e-billed over the same length of time grew 15% (from an average of 108 per month to 124).

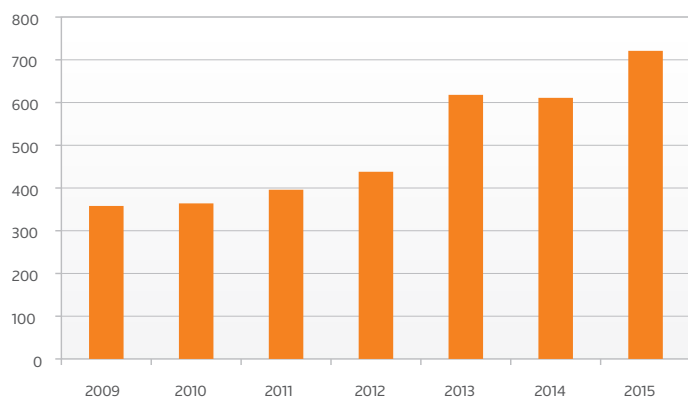


Figure 2. Net new clients added to eBillingHub by year.

The graph in Figure 2, which shows how many new clients have been added to the eBillingHub library over the past seven years, is a good representation of how quickly clients are moving to e-billing overall. On average, about 500 new clients were added per year. When a firm signs up with eBillingHub, it can access our entire library of 3,571 clients. The fact that we continue to add clients on a regular basis is a result of our growth and our customers’ clients’ growth.

We are finding that a lot of the growth in e-billing is international, if the types of currencies our clients deal with through eBillingHub are a reasonable indicator. Whereas in 2012, our law firms submitted in 13 currencies, in 2015, there were 22 distinct currencies, ranging from the Vietnamese dong to the South African Rand (Figure 3).

So, is the e-billing market overall growing? It certainly is expanding its reach, both internationally and into smaller companies.

Trend 2. Efficiency is increasing, shortening the average days to pay cycle.

We are finding that firms are becoming more efficient in their billing. Consider this quick snapshot: If we compare 2012 data to 2015 data, we find that the average number of billers per firm decreased from 18 to 16, but the number of year-to-date invoices rose from 1.1 million to 3.22 million. This indicates that almost the same number of billers are processing significantly more bills than before. This is not only a testament to our software improving as we incorporate law firm suggestions, but also to our users becoming more comfortable and efficient with e-billing procedures. Any increased efficiency will naturally improve your firm’s bottom line: the faster you get bills out the door, the faster you get paid.

FOR YEAR: 2015

Currency Code	Gross Amount Invoiced	Conversion Rate	USD
AED	4,164,640.29	3.673	\$1,133,852.52
AUD	36,658,789.06	1.368	\$26,797,360.42
BMD	2,279,085.61	1	\$2,279,085.61
BRL	2,649,633.12	3.959	\$669,268.28
CAD	357,651,842.41	1.386	\$258,046,062.34
CNY	13,100,988.70	6.492	\$2,018,020.44
CZK	81,133.42	24.203	\$3,352.21
EUR	302,910,376.61	0.919	\$329,608,679.66
GBP	725,421,314.46	0.675	\$1,074,698,243.64
HKD	88,636,843.17	7.75	\$11,437,012.02
JPY	545,064,280.66	120.42	\$4,526,360.08
MXN	8,717,784.81	17.362	\$502,118.70
QAR	37,235.00	3.641	\$10,226.59
SAR	22,110.00	3.75	\$5,896.00
SGD	932,535.28	1.416	\$658,570.11
THB	5,760,074.18	36.05	\$159,780.14
TWD	7,458,688.89	32.874	\$226,887.17
USD	34,735,621,198.98	1	\$34,735,621,198.98
VND	725,944,025.00	22480	\$32,292.88
ZAR	33,258,715.16	15.556	\$2,137,999.17
			\$36,450,572,266.98

Figure 3. Currency types submitted through eBillingHub in 2015.

Trend 3. Accuracy is increasing, reducing rejection rates.

According to eBillingHub data gathered between 2012 and 2015, it’s clear that bills are being rejected at increasingly lower rates. This improved acceptance rate comes from the increased conformity of bills to client guidelines, the increased proficiency of the people who use the billing systems in the law firms, and the processes they employ.

The good news is that the average rejection rate has been falling steadily over the years and is down almost four points from 2012 (15.47%) to 2015 (11.58%). Overall, this suggests that firm lawyers and accounting personnel are getting better at e-billing, which results in fewer rejections, faster bill to pay cycles, and more money for the firm.

Note that these rejection rates are for bills sent through the eBillingHub software, and hence these bills have already been matched against the clients’ billing guidelines and corrected before submission. That the rejection rate continues to be close to 11%, as we’ll see below, has more to do with clients’ readiness and proficiency in using their e-billing systems than with the accounts receivable teams at their firms.

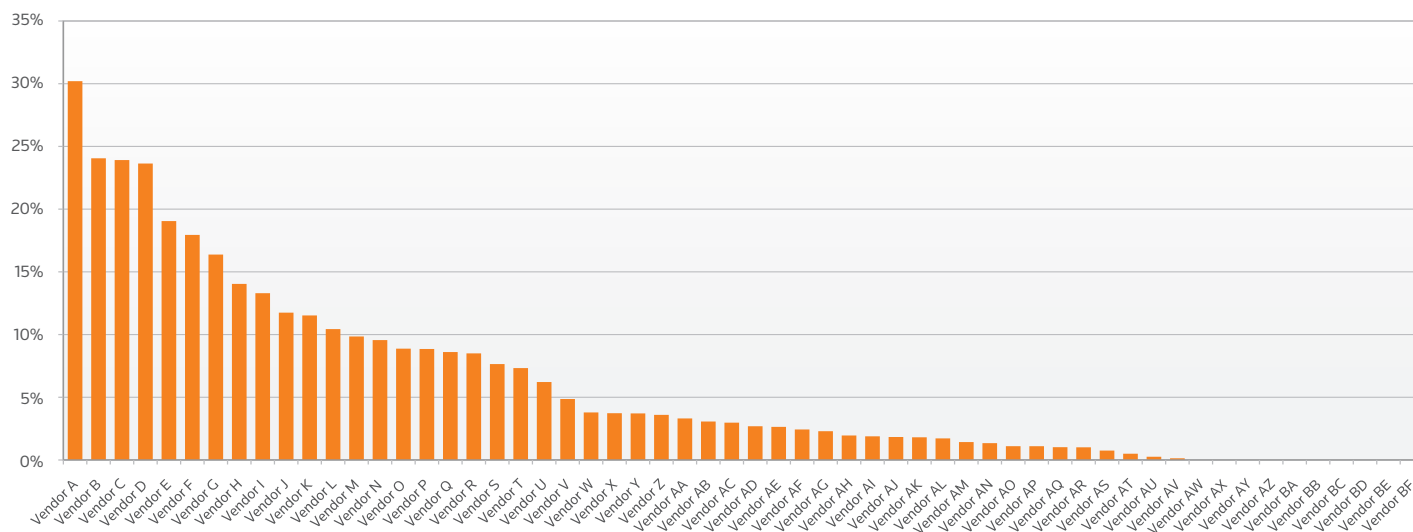


Figure 4. Average e-bill rejection rate in 2015, by the top 32 vendors used by clients of eBillingHub law firms.

Another critical factor to note is that the rejection rate can vary dramatically from vendor to vendor. As shown in Figure 4, some systems clock rejection rates that hover at the mid-20%, while others are below 5%. The impact of a high rejection rate on a firm's cash flow and margins can be dramatic. As part of our process reviews with law firms, we strongly encourage the billing teams to analyze their own data using the eBillingHub reporting functionality to better pinpoint the weak points in their processes. (eBillingHub is a neutral system, and we never endorse one vendor over another.)

DECREASE REJECTIONS BY ESTABLISHING CONTINUITY IN THE BILLING PROCESS

Turning inward to examine the processes used by eBillingHub law firms, we discover that the rejection rate can be significantly reduced by adopting different processes. Most firms that use eBillingHub adopt one of two invoice-production-delivery processes:

1. Some firms have their billers go into eBillingHub, prepare all the invoices, validate them, and get them ready to go. The bills are submitted in batches by someone else at a later date.
2. Other firms have their billers perform the entire process from beginning to end: create, validate, edit, submit, handle rejections, and resubmit as needed.

The data shows that those firms taking the second approach have, on average, lower rejection rates for their invoices—close to 10% lower than firms taking the first approach.

RECOMMENDATION #1: THE BILLER SHOULD "OWN" THE CLIENT

When an individual from the law firm holds sole responsibility for billing the client, a relationship will naturally develop between the biller and the client's A/P team. In this case, the biller comes to learn who to call when problems arise and also learns what works and what doesn't for billing that particular client. Knowing how to "smooth the path" lessens the rejection rate.

Speaking of smoothing the path, it turns out that how an invoice is formatted at inception (at the time entry point) can be key to increasing e-billing efficiency.

FORMAT CAREFULLY FOR SMOOTH SAILING

With all the invoices flowing through eBillingHub, there are still billing guideline violations that are caught by the system and need to be corrected on the invoice. The majority of these violations are due to improper details included in the invoice when the lawyer entered time or when the matter was configured in the time and billing systems. If billers could receive conforming invoices the first time around, much time and effort would be saved.

For example, data from eBillingHub shows the advantages of the well-chosen word and the problems that can ensue if the wrong word is employed. Certain expense codes and terms are almost guaranteed to get the nod every time, and others are almost guaranteed to get your invoice kicked back to you, as shown in this list.

Top Most Validated Expense Codes

- E101 – Copying Rate
- E104 – Fax Charges
- E106 – Online Research
- E105 – Phone Charges
- E103 – Word Processing
- E108 – Postage Charges
- E109 – Local Travel Expenses
- E107 – Delivery Services Charges
- E124 – Other
- E110 – Out of Town Travel
- E111 – Meals

Top Rejection Trigger Words and Phrases

- Prepare
- Review
- Work on file
- Research
- Scan
- &
- Miscellaneous
- Trial Preparation
- Work on discovery

This leads to the next recommendation:

RECOMMENDATION #2: TRAIN YOUR LAWYERS

Rejection data gathered from eBillingHub shows that many lawyers enter information as if they are still using paper, hence the preponderance of rejection trigger words and phrases that still crop up in invoices. If one of those words makes it through the proforma process and is submitted, the entire bill will automatically be rejected by the vendor. The rejection slows down the process, since the biller often will need lawyer authorization to make a correction and resubmit. This is not only a waste of biller and lawyer time (with a corresponding impact on billable hours), but it also delays getting the cash to the firm. If such issues occur often, they could eventually affect the relationship with the client. No matter what kind of e-billing solution you use, the following holds true:

RECOMMENDATION #3: CATCH THE PROBLEM AS EARLY AS POSSIBLE, BEFORE IT MOVES DOWNSTREAM

eBillingHub has a client library in which our firms store information about which system each client uses, which format is required, and what that client's billing guidelines are. If an invoice violates a guideline, the biller will be alerted before submission. In this way, the problem is caught early, avoiding additional work, and saving time.

TO HELP YOURSELF, HELP YOUR CLIENT

Lawyers and billers aren't the only ones who need training. In 2015, for example, of the more than 2,500,000 invoices successfully sent through eBillingHub, 90% were approved, and 10% were rejected by the client.

Of those rejected, clerical errors (that is, issues that had nothing to do with the invoice's content) accounted for 39% of the total. As shown in Figure 5, the most common reasons for a clerical rejection are a matter being incorrectly set up—or not set up at all—and easily preventable issues such as expired passwords and "budget exceeded" rejections. This last includes those instances in which budgets were not correctly configured at the start.

To learn more about eBillingHub, visit ebillinghub.com.

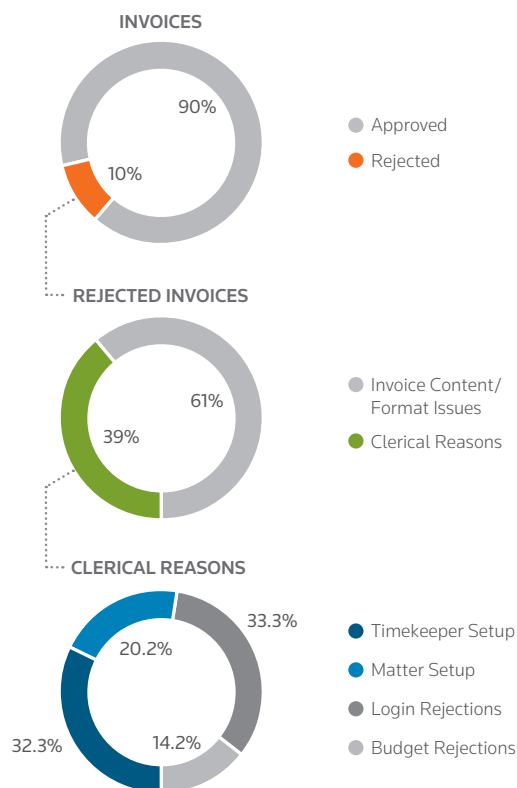


Figure 5. Many invoice rejections have little to do with content and more to do with clerical errors on behalf of the client. These rejections could be minimized by training the client in the use of their e-billing system of choice.

RECOMMENDATION #4: TRAIN YOUR CLIENTS

As mentioned earlier, every month, law firms see more clients moving from paper to e-billing. Often, the client AP teams are unprepared for the switch and experience multiple rollout issues that invariably result in the firm not being able to bill (and hence be paid) in a timely manner.

If your firm is like most, you have probably been submitting e-bills for years. Thus, we recommend that you offer your firm's expertise to any of your clients who are new to e-billing and need help configuring their systems. Helping a client get up to speed will result in accelerated cash flow.

FINAL RECOMMENDATION: TRACK YOUR NUMBERS AND STAY ON TOP OF THE TRENDS

Finally, it probably goes without saying that to be successful in this business—or any business—it's important to have as much data as possible on how your day-to-day activities are running. With real-time data in hand, you can zero in on procedures and practices that are inefficient and correct them to enhance your bottom line while keeping your clients satisfied. With eBillingHub as your partner, you can be assured that we will help you stay on top of e-billing trends.