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Letting Go of the Billing Process

By Wayne Nykyforchyn



Law firms are certainly no strangers to the concept and pressures of business process outsourcing (BPO). Already identified by some sources as more than a billion-dollar industry three years ago, BPO utilization has grown even more since then.

Some law firm business processes seem to be obvious and logical candidates for outsourcing. Other areas, however, might be perceived by law firm management to be too critical, too “close to the heart,” to outsource. Law firm billing might be considered one of those areas.

This column proposes a different construct for firm leaders to consider — namely that in today’s competitive environment, law firms need to up their game when it comes to billing. More specifically, firms need to turn their billing processes into true invoicing processes and invest significantly in higher levels of invoicing expertise.

What may prove to be the tipping point for choosing outsourcing over internal investment is data.

BILLING VS. INVOICING

The distinction between billing and invoicing may seem to be semantics, but it is not. Traditionally, the act of billing has been sufficient for firms. They capture time spent, they sort and list their activities, summarize the time in the form of a legal bill, and off to their clients it goes.

As most firms are painfully aware, this simple regurgitation of expended activities no longer suffices in today’s environment. Clients won’t accept a simple bill without detailed review. Now, bills must be matched against complex billing guidelines, budgets, reporting, vendor utilization and other process guidelines. The task has become — or is becoming — as complex as medical billing in the health care industry.

So, what then is true invoicing? Well, invoice preparation starts when the bill is created. The purpose of true invoicing is to achieve the accuracy and compliance that has been set forth by the client in its billing guidelines and rules. In other words, clients have outlined their expectations; true invoicing is the process of demonstrating that the firm can achieve those expectations.

Put another way, true invoicing requires the firm to compare, in detail, each line item on the bill to:

- Each client's billing guidelines
- Each client's litigation guidelines
- Lists of approved timekeepers
- Each timekeeper's approved rates
- The unique rules of the e-billing system being utilized
- Standards for "reasonableness of time" for each activity
- The adequacy of the activity description
- Standards and rules that dictate what activities the firm can and can't do
- Which activities require prior authorization
- The historical review and adjustment patterns of each client
- The preferences of individual client reviewers

In short, true invoicing requires an expertise and a complexity that simple billing does not.

WHY EXPERTISE MATTERS

Historically, when deciding whether to outsource specific processes, most businesses asked themselves, "Can we achieve cost savings with relatively low risk? Is the function a core competence of the firm?" Under this basic decision matrix, a choice to outsource mail room functions, for example, would seem like a pretty straightforward win.

However, as outsourcing has evolved, the considerations have evolved as well. Now, law firm executives examine more complex and analytical questions: Can outsourcing improve our operational performance? How can we make our outsourcing choice strategic? Can we transform our business by outsourcing knowledge-based services?

It is this last question that resonates so strongly in terms of invoicing. Let's examine briefly what the payer communities — the very companies to whom these invoices are being sent — have done with outsourcing.

The answer is, a lot! In today's environment, most law firm clients (in particular, larger and more sophisticated corporate legal departments and insurance clients) have been outsourcing the review and auditing of legal bills for years. First, these customers purchased advanced software to screen legal bills. Then, they hired outside legal bill auditors or created centralized teams of auditing experts to use that software. They have recognized that an investment in such expertise yields significant returns.

Law firms today are under the gun to move from billing to invoicing. To do so, they need to invest in the proper expertise and domain knowledge to make that transformation. The choice before them will be to outsource that expertise or attempt to develop it through internal hires.

To accomplish the latter, many firms will be forced to upgrade their current billing personnel. Billing clerks will no longer suffice; invoicing and preparation experts will be required. Provided they have the right software available, firms can and will be able to find invoice preparers with extensive knowledge of the market, payers, e-billing platforms and industry standards for reasonableness of time.

THE IMPORTANCE OF DATA

What may prove to be the tipping point for choosing outsourcing over internal investment is data.

Invoices generate exponential volumes of data — data about firm performance, practice patterns, staffing, compliance, accuracy and much more. Data is absolutely crucial to not only improve the underlying invoicing process, but to enhance the speed with which firms are paid and manage the entire life cycle of the invoice process.

As invoicing-focused BPO firms become more sophisticated in their management of this data, their ability to provide actionable dashboards and data analysis to their customers will mature. Their ability to benchmark firms, advise firms on where they lag behind their competitors and give guidance on operational and performance improvements is likely to bring law firm leaders to conclude that they should let go of their billing processes — and thus deploy BPO resources for maximum effect.

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