

ELM Solutions

Best Practices for Legal Bill Review



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Introduction

Billing is one task all of your legal service providers have in common. That's why your billing guidelines are so fundamental to relationship management with your vendors. However, if your organization is like most, these guidelines may not be optimized to drive your business and operational goals.

This eBook will help you:

Leverage data and advanced analytics to gain tangible insights to optimize your current billing guidelines.



Understand common pitfalls or barriers to billing guideline compliance.



Develop best practices to enforce billing guidelines to drive the best outcomes.



The value of billing guideline compliance

Billing guideline compliance is one of the essential elements of legal bill review within a corporate legal or insurance claims department. Most legal departments can agree that practical billing guidelines drive savings and compliance. Your billing data contains vital information that can lead you to insights that drive best practices and compliance in your spend management program. By leveraging advanced analytics and benchmark data, along with the necessary expertise and knowledge to interpret it, you can identify opportunities for billing guideline improvement and ensure your billing program is best-in-class.

Your billing guidelines are a contractual agreement between the legal department and a law firm that guarantees payment in exchange for legal work. This approach seems straightforward. However, there are more steps in the process. First, the line-item invoices are reviewed and require attorneys' approval. The invoices are very robust and can be as big as an old-school telephone book. Sometimes the review process is quick. Other times it can take longer depending on the complexity of the case and the bandwidth of the attorneys. In addition, many bills require more than one approval or require adjustments based on notes from the law firm or new findings in a matter. Your legal billing guidelines are the foundational framework for the bill review process and ensure that you're getting the right degree of detail, data, and analytics to power future decision-making. Ultimately, they can help you drive better compliance, consistency, and equal treatment of your firms, which is key to building stronger relationships with your outside counsel.

Everyone plays a part in achieving billing guideline compliance. It's easy to blame non-compliance on the law firms by saying they are not following the guidelines appropriately, and sometimes this is the case. Still, the guidelines themselves often drive non-compliance because they are ambiguous or confusing for law firms to follow.

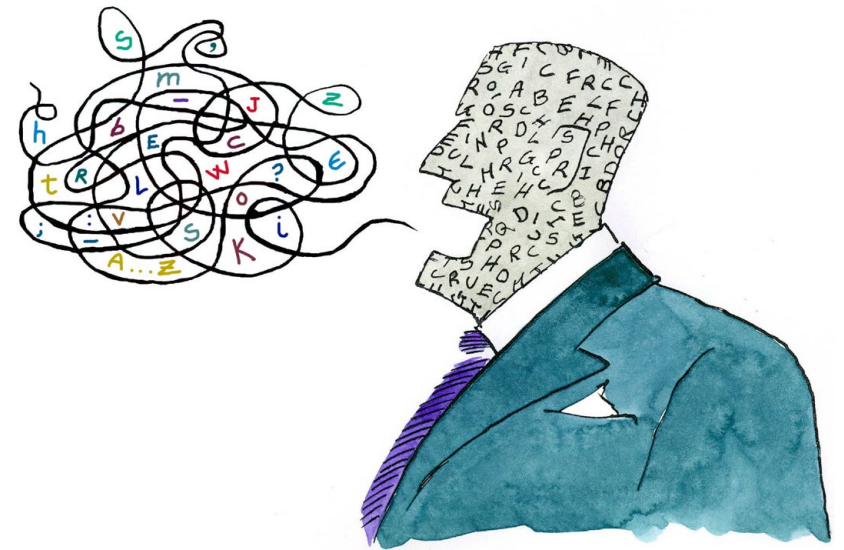
Establishing effective outside counsel guidelines helps corporate legal and insurance claims departments improve law firm billing practices. There are several steps both legal and claims departments can take to set billing expectations with law firms. These practices can improve compliance and drive significant potential cost savings for your organization.

By leveraging advanced analytics and benchmark data, along with the necessary expertise and knowledge to interpret it, you can identify opportunities for billing guideline improvement and ensure your billing program is best-in-class.

Design your outside counsel billing guidelines based on organization objectives

The primary objectives of your billing guidelines may be to drive more accurate billing, more compliance, effective cost management, or more actionable data to drive your vendor management decisions.

To achieve these objectives, guidelines need to highlight which activities are acceptable and payable – in other words: what you will pay and what you will not pay. Specificity is necessary so that there is no confusion, and you can avoid the pitfalls of non-compliance. You want to be specific but not verbose, and keep it simple. If there are vague or confusing explanations in the billing guidelines, your firms are sure to make assumptions and bill ambiguously or incorrectly.



Common billing guideline development mistakes from legal departments

Billing guidelines have become increasingly nuanced and complex, making them difficult to manage. As a result, outside counsel may submit inappropriately coded invoices based on the work performed or include unexpected rate increases. This approach often results in bills that are non-compliant with guidelines and creates difficulty in interpreting or reconciling bills. Some best practices for driving better billing compliance:



Eliminate overly complex guidelines. Your outside counsel billing guidelines do not need to be lengthy and complicated. Identify your main objectives and billing requirements. Make guidelines simple, unambiguous, and easy to follow. Set the expectation that the billing guidelines are subject to change and reserve the right to modify or reject invoices that do not adhere to the guidelines in place.



Identify common violations. Putting clear and strict guidelines around billing practices that you decide are unacceptable can significantly cut unnecessary expenses. Some common violation areas include block billing, billing for travel time, and meetings with large numbers of associates, to name a few.

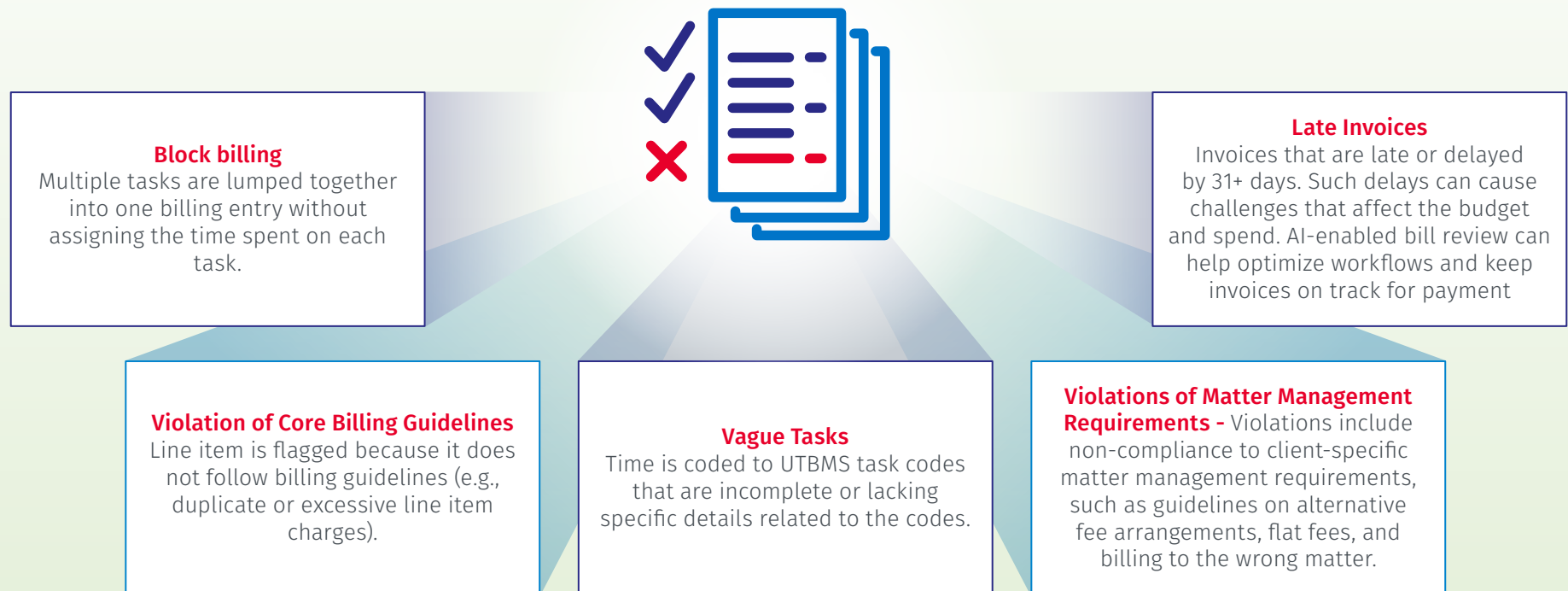


Communicate often to enforce your guidelines. Practice continuous communication to ensure law firms are adhering to your guidelines. Make it part of your quarterly reviews and use technologies like AI-enabled legal bill review and legal spend and matter management platforms to keep firms on the right track.

Common billing mistakes from law firms

Attorneys don't typically record time simultaneously when doing the work. Timekeeping this way results in looking back at the end of the week and recapturing that detail, impairing invoice accuracy. This approach also leads to thousands of dollars worth of block billing, vague line-item descriptions, bills for work done six months ago, etc., all of which raises the possibility of over-billing. This behavior violates the agreed-upon billing guidelines of nearly all corporate legal departments. Managed bill review services, like ELM Solutions' AI-powered LegalVIEW® BillAnalyzer services, can help.

From the law firm's perspective, it can be challenging to comply with diverse guidelines across all clients, leading to violations. This can cause "leakage" in the invoice management process, potentially costing large legal departments millions of dollars a year. Additionally, some law firms may engage in block billing or vague billing practices that fail to break down and describe the work delivered accurately; these practices also contribute to non-compliance. Finally, some firms may make poor staffing decisions by having more routine work done by senior associates, resulting in excessive time and billing rates.



Best practices for developing billing guidelines

Billing guidelines should reflect your organization's unique strategies, culture, and vendor management philosophy. However, here are some standard best practices to consider as you develop your guidelines:

Identify common violations: Putting clear and strict guidelines around billing practices that you decide are unacceptable can significantly cut unnecessary expenses. Some common violation areas include block billing, billing for travel time, and meetings with large numbers of associates, to name a few.

Make guidelines focused: Guidelines should specifically address the compliance drivers for your organization and should not be generic.

Keep them brief: Balance the specificity with conciseness. If your guidelines are too long, law firms and other vendors are unlikely to read them thoroughly.

Don't focus on minute details: Don't waste time fretting over insignificant details, like the amount charged for making copies. Instead, set guidelines around processes, including staff assignments and other issues that significantly impact your bottom line.

Give Law Firms clear intent: To comply, firms need to understand the purpose of each guideline.

Ensure they are well written: Well-written policies are easier to understand and can more easily be kept brief

Properly segment them: Don't make individual guidelines too complex. Break out your requirements logically into separate guidelines to make them easy to understand.

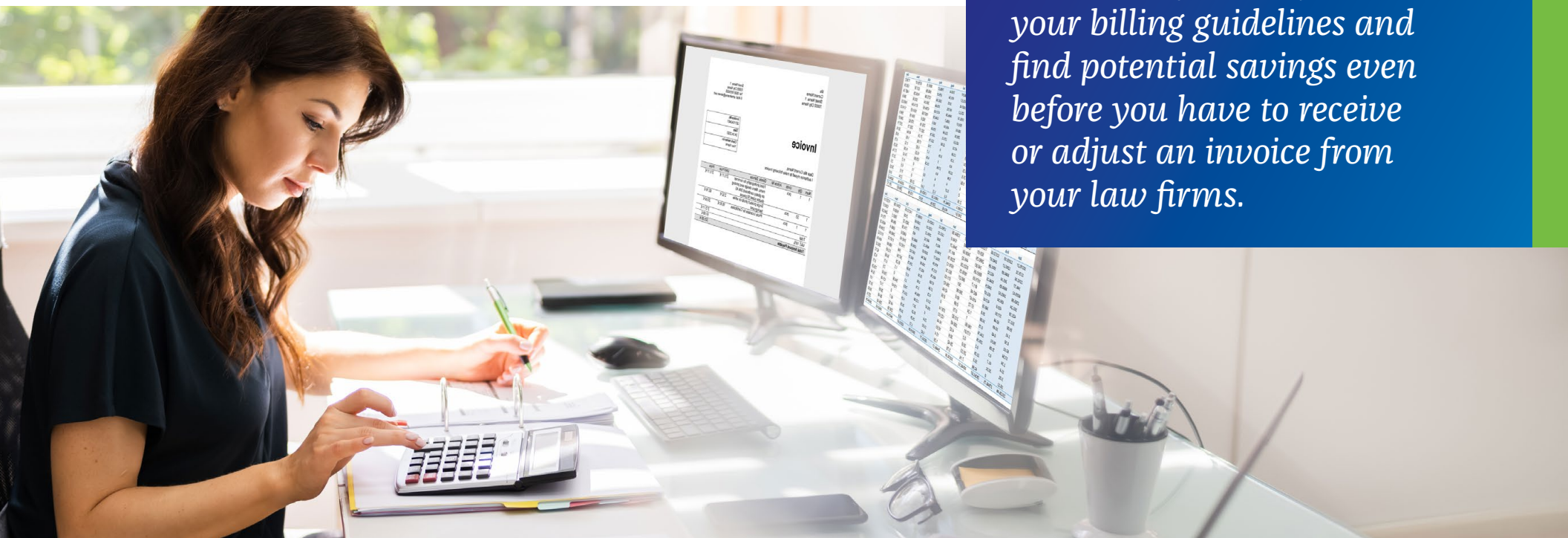
Get your guidelines to the right people: For policies to be effective, they must be received and read by the right people. Focus on billing managers and coordinators, account managers, and legal project managers. Get an e-signature that proves receipt of the guidelines.

Following these best practices will help billing administrators better understand your goals and requirements and submit more compliant invoices.

Industry guideline benchmarking

Guideline Benchmarking Analysis provides a detailed assessment of your billing guidelines to identify strengths, weaknesses, and opportunities for billing guideline improvement compared to the market. BillAnalyzer Guideline Benchmarking uses LegalVIEW, the world's largest source of legal performance data with over \$140B in anonymized legal data, to help you understand how your current guidelines measure up to industry standards and peer organizations. BillAnalyzer Guideline Benchmarking can show opportunities for compliant industry-standard billing guidelines and provides your organization with actionable insights that allow you to optimize your billing guidelines and find potential savings even before you have to receive or adjust an invoice from your law firms. We offer a no-obligation Billing Guideline Analysis designed to give you data-driven insights to help improve your existing guidelines with best practices and actionable recommendations for claims or legal departments looking to optimize their billing guidelines.

A BillAnalyzer Guideline Benchmarking analysis provides your organization with actionable insights that allow you to optimize your billing guidelines and find potential savings even before you have to receive or adjust an invoice from your law firms.



How does it work?

We use your billing guidelines with our artificial intelligence (AI) systems and expert invoice reviewers to:

Analyze existing billing guidelines used with your law firms

Identify weaknesses and opportunities to improve

Assess how your organization's guidelines compare to the legal industry and peer organizations

Recommend modifications and additions to billing guidelines



Case study #1

Compliance and excellent law firm relationships? *You can have both.*

A global professional services Company with leading capabilities in digital, cloud, and security, along with networks of Advanced Technology and Intelligent Operations centers, wanted an audit of its guidelines to determine how it compares to the industry and its peers.

Challenges: The company's guidelines were too robust, and their rules were so complex that it was almost impossible to enforce them with their firms. The guidelines were long narratives, and the language was not concise enough to identify the violations.

Solution: The corporate legal department needed to streamline its guidelines, reduce the complexity, and develop additional standards for their industry and peer group. LegalVIEW BillAnalyzer's Guideline Benchmarking was used to identify areas

of improvement where rules did not already clearly exist in the company's guidelines. The BillAnalyzer team takes each practice and maps it to a standard library for market benchmarking. The team then categorizes each rule and distills it to its relevant keywords for analysis.

- BillAnalyzer identified several enhancement opportunities
- BillAnalyzer identified gaps from an invoice audit

Benefits: Modifying/adding suggested guideline language and market normative billing rules drives greater compliance in their spend management program. Outside counsel has faster approvals and better billing guidelines based on industry-standard best practices.

Recommendations: The BillAnalyzer Guideline Benchmarking team makes recommendations based on three primary areas:

Audit Findings	Staffing Guidelines	Best Billing Practices
• Document Review needs more specificity on type and nature • Narratives are vague • An appropriate level of personnel not used for tasks	• Prior approval is required for multiple partners/associate • Prior authorizations for outside counsel retention • Tasks from junior timekeepers and local counsel not billable	• No payment for administrative tasks • Internal communication is not billable • Duplicative timekeeping is not billable • Timekeepers must be identified • Invoice prep outside of distribution or collection is not billable • Miscellaneous or Other labeled charges are not billable.

Case study #2

A global supply chain company with leading digital and cloud security capabilities wanted to audit its guidelines to determine how it compares to the industry and its peers.

Challenges: Their challenges were cost savings and law firm relationship management. The company's guidelines lacked the necessary specificity for enforcement.

Solution: The corporate legal department needed to develop new guidelines comparable to the industry and its peers. They also needed to simplify their existing policies. LegalVIEW BillAnalyzer's Guideline Benchmarking was used to identify areas of improvement where rules did not already clearly exist in the company's

guidelines. The BillAnalyzer team mapped each rule to a standard library for market benchmarking. The team then categorized each rule and distilled it to its relevant keywords for analysis.

- BillAnalyzer Benchmarking identified several best billing practice rules to improve the effectiveness of the company's guidelines, which also align with normative market standards
- BillAnalyzer identified gaps from an invoice audit

Benefits: New and modified billing guidelines and market normative billing rules drive better compliance with the client's spend management program. As a result, outside counsel obtains faster approvals and better billing guidelines based on industry-standard best practices.

Recommendations: The BillAnalyzer Guideline Benchmarking team recommends

- New Billing Rules
- Adoption of an activity matrix for everyday administrative tasks.

New Billing Rules Required		
Narratives Research	Staffing	Billing Practice
• Routine legal research is not billable. • When research is performed, the invoice should contain a sufficiently detailed description of the nature of the research and the issues involved • File reviews that are not caused by a legal or factual development are not reimbursable. • Duplicative entries are not reimbursable and need sufficient detail to distinguish entries from prior line items • Miscellaneous or Other labeled tasks are not billable. No more than ten hrs./day are billable • Narratives are vague, details are required	• Prior approval required Case Litigation Motions • Prior authorizations for outside counsel retention • Revisions from Jr./Sr. Attorneys are not reimbursable • Duplicative timekeeping is not billable • Timekeepers must be identified • Multiple timekeepers that are performing the same or similar tasks are not billable	• No payment for administrative tasks • Invoice prep outside of distribution or collection is not billable • Postage is not reimbursable • Internal communication is not billable • Duplicative entries are not reimbursable and need sufficient detail to distinguish entries from prior line items

Using technology to drive billing compliance

Accurate and thorough invoice review can present challenges. It is often a time-consuming and mundane task for which corporate attorneys are responsible. These busy professionals have many responsibilities that leverage their legal expertise and drive more strategic value for their teams. Unfortunately, that means that invoice review doesn't always get enough attention. Evaluating each line item of a complex legal bill, identifying non-compliant entries, and engaging in adjustment and appeal cycles for each line takes up valuable time and can impact productive working relationships on day-to-day matters with outside counsel.

However, effective bill review is critical to driving favorable compliance outcomes, improving data quality, and controlling legal spending. When done correctly, it also helps law firms understand how to use best billing practices and submit compliant invoices, increasing billing efficiency over time. That's why many companies have chosen to engage the patented and award-winning LegalVIEW® BillAnalyzer Expert Service from Wolters Kluwer's ELM Solutions. This valuable managed service helps legal departments maintain effective, accurate, and beneficial bill review programs while freeing in-house attorneys to focus on more valuable tasks. The result is up to 10% savings on your legal spending and up to 20% improvement in guideline compliance.

**Control your spend with
up to 10% savings**



**Up to 20% increase in billing
guideline compliance**



Want to learn more?

Want to learn more? Download our companion whitepaper, *Using Predictive Analytics to Choose the Best Law Firm*, to understand more about how predictive analytics can generate a ranked list of the best firms to use.

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