

Law Departments: Using e-Billing to Manage Outside Counsel Costs

By Marci M. Krufka

Your department has implemented an e-billing system. You know that you have already realized some benefits – streamlining the billing process and saving lawyer and administrative time to review and process bills. But you also believe that there is a lot more you can be doing with the information in your e-billing system to better manage your outside counsel costs and performance. Following are ten strategies your department can pursue, using your e-billing system:

- **Better enforce your outside counsel billing guidelines.** Without an e-billing system, it is very difficult and extremely time consuming to monitor bills to ensure that outside counsel are in compliance with your guidelines for the billing, staffing and handling of matters. Your e-billing system, however, can do most of the tracking for you and alert you when your outside counsel bills are not within the parameters established by your department. The key here is *at the outset*. Many law departments simply provide their existing guidelines to their e-billing system providers for them to use to configure their systems without capitalizing on the opportunity to take a critical look at their guidelines, and update and improve them as necessary. The best time to review and update your outside counsel guidelines is *before* your e-billing system is in place. It is much more inefficient and costly to make changes later.

Please also note that all of the following strategies can be pursued after your e-billing system is in place, but they will be most effective if you have thought them through *before* your system is implemented.

- **Create and utilize more effective matter budgets.** With e-billing systems, law firms can provide budgets online. This will require them to actually submit budgets for all matters for which they are required, and submit them in a standard format so that all key components must be included. Your department will then be able to make automatic comparisons of invoices to budgets at any stage during the

matter. You can also track overall spending to budgets for types of matters, by law firm, by internal lawyer, etc.

- **Enforce status-reporting requirements.** If your department requires status reporting from outside counsel on significant matters, you can utilize your e-billing system to require these status reports before invoices can be submitted and to generate reports of all matters where status reports are delinquent. You can also require outside counsel to use your system to generate monthly reminders for deadlines and key events.
- **Monitor your company's exposure for litigation matters.** You can utilize your e-billing system to generate reports regarding exposure associated with different business lines, products or services in your company.
- **Analyze outside counsel performance.** You can use your system to generate reports showing results achieved, spending by law firm and comparisons of actual versus budget for exposure and case costs by law firm. You can also include subjective input from your in-house lawyers on their satisfaction with particular lawyers or law firms.
- **Make better staffing decisions.** With your e-billing system, you will have more accurate information on spending in different practice specialties, which will assist you in deciding whether a portfolio of work can be more cost-effectively handled in-house.
- **Evaluate the effectiveness of discounted rates.** Most law firms' idea of alternative fee arrangements is still discounted hourly rates, but often law departments wonder whether the discounts are really generating significant savings. You can use your e-billing system to ascertain which discounting or other alternative fee arrangements really provide the most value to your company.



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There is a lot more you can be doing with the information in your e-billing system than streamlining the billing process.

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- **Monitor staffing of matters.** Many law departments complain that their biggest costs come not from hourly rates, but from inefficient staffing of matters. Your e-billing system can be configured to help you monitor and enforce case staffing guidelines.
- **Track law firm performance related to your diversity goals.** Most law firms today say that diversity is a priority, but are the firms performing in a manner consistent with your diversity goals? Is the team of lawyers that actually performs the work on your matters diverse? Your e-billing system will allow you to track this information and make comparisons on a firm-by-firm basis and for your outside firms overall.
- **Do a better job of triaging legal work.** Is your department sending the right types of cases to the right firms? Are you sending low-value matters to high-cost firms? Or bet-the-company cases to lower-end firms? You can use your e-billing system to track your department's categorization of matters (e.g., strategic, important, routine) and how well it is aligned with the types of firms that are retained.

Chances are you could be getting a lot more out of your e-billing system. These are just a few strategies your department can use to make the most of this technology. ♦

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