
Achieving Optimal Efficiency with AI-Powered Legal Bill Review


ELM Solutions



Wolters Kluwer

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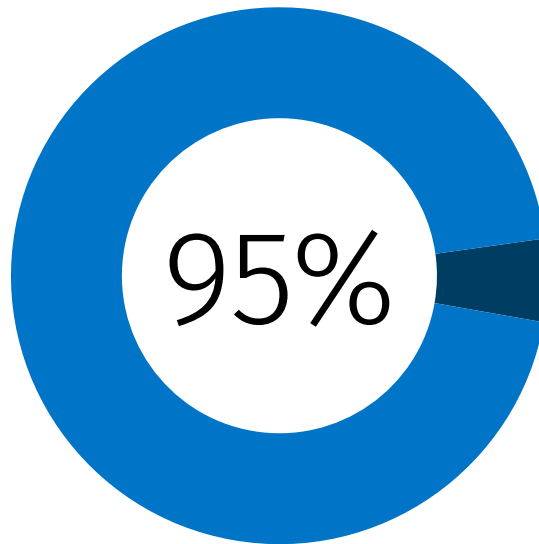
"Success is nothing more than a few disciplines practiced every day."

– Jim Rohn

Introduction

According to the 2020 Altman Weil Law Firms in Transition, 95 percent of law departments say improving practice efficiency is a permanent focus and trend for the legal industry.¹ Implementing AI technology into legal bill review is one of the most powerful ways currently available to drive cost and process efficiencies, improve the accuracy of invoices, and streamline siloed legal departments. Technology tools that enable automation and machine learning empower legal departments to do more work in less time, allowing them to focus on higher-value work more. Artificial intelligence (AI) is revolutionizing the way the legal industry works. Matter management, law firm selection, budget prediction, e-discovery, and e-billing are all influenced by AI. The technology is helping corporate legal departments, law firms, and insurance claims departments drive operational efficiencies, reduce costs, and improve outcomes.

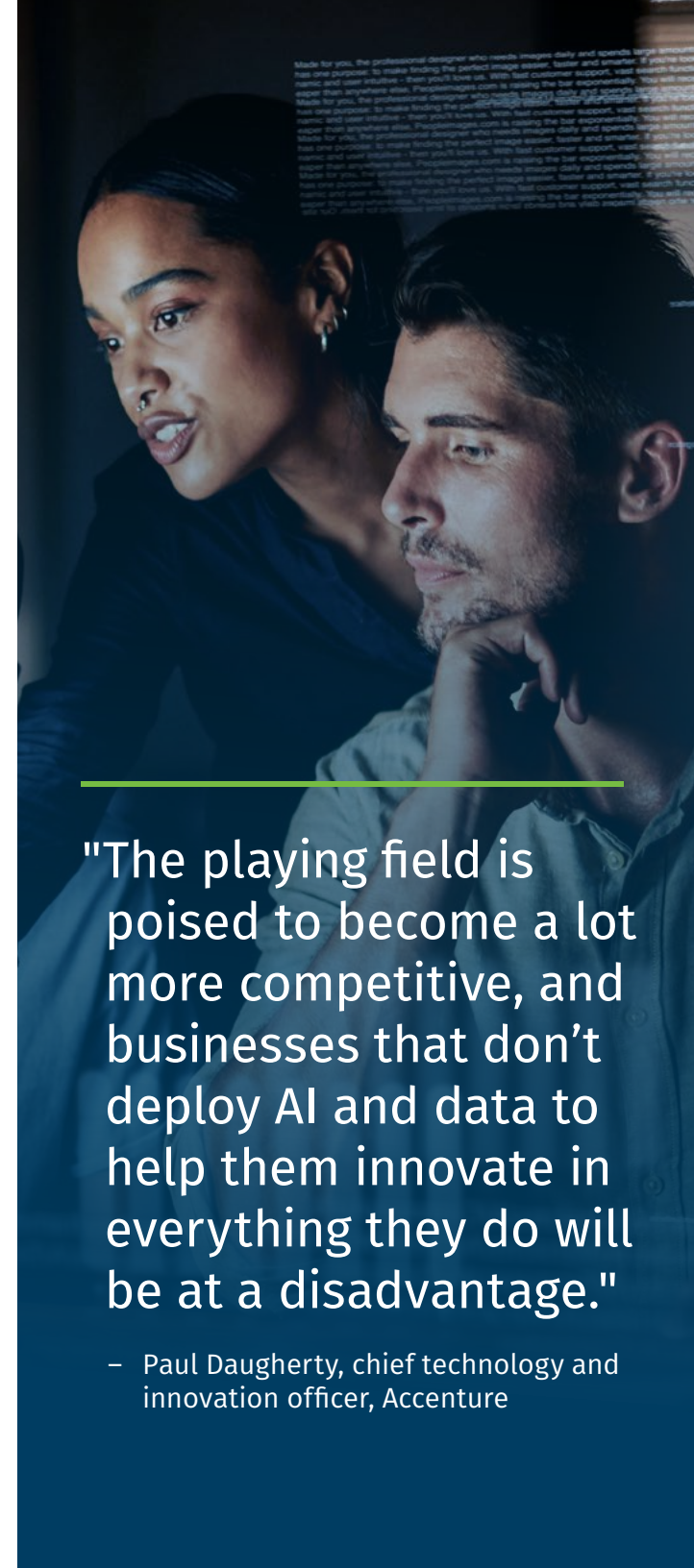
95% of law departments say that improving practice efficiency is a permanent focus and trend for the legal industry.²



¹ Altman Weil, 2020 Law firms in Transition
² Altman Weil, 2020 Law firms in Transition

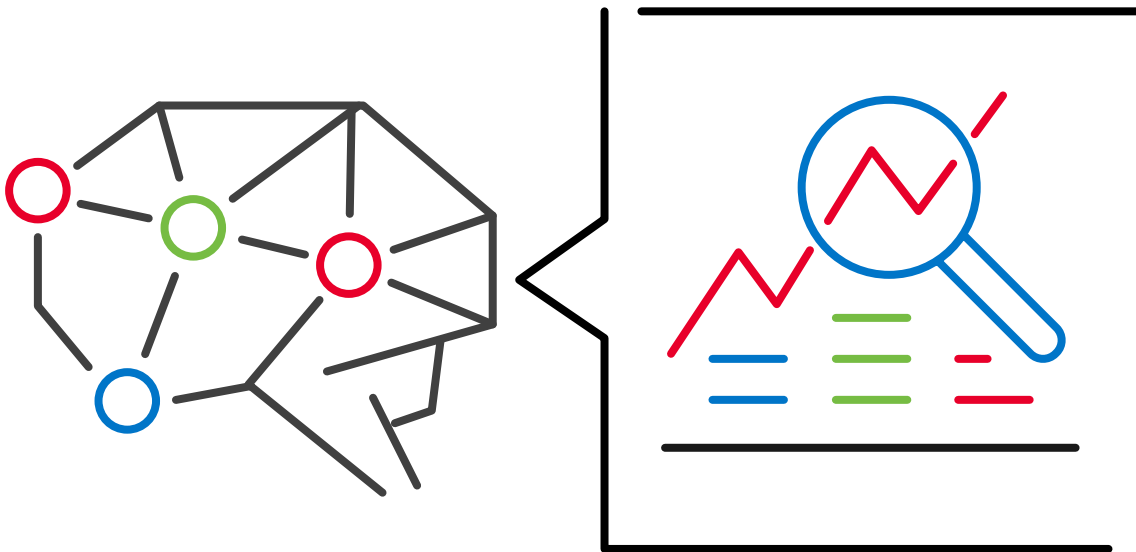
"The playing field is poised to become a lot more competitive, and businesses that don't deploy AI and data to help them innovate in everything they do will be at a disadvantage."

– Paul Daugherty, chief technology and innovation officer, Accenture

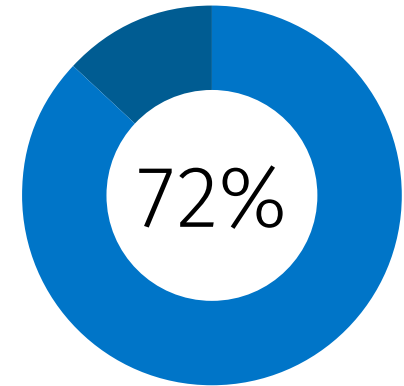


Introduction

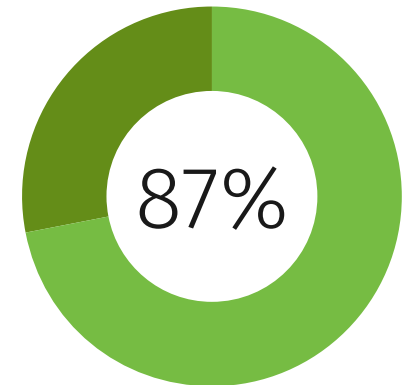
AI's benefits are real. Artificial intelligence has made remarkable advancements recently. According to Gartner, AI augmentation provided \$2.9 trillion of business value and 6.2 billion hours of productivity with workers in 2021. Similarly, the pandemic did not stop AI innovations; it accelerated adoption, particularly in the legal industry.⁴ This eBook will show how AI-powered bill review can help your legal billing department become more efficient, accurate, and compliant. Ready to learn how to achieve optimal efficiency and productivity in your legal bill review processes? Let's go.



Business drivers for the use of AI



72% of businesses believe the pressure to reduce costs will require AI.



87% of businesses state competitive pressures to improve business outcomes drive AI adoption.

³ <https://www.forbes.com/sites/forbesbusinesscouncil/2021/04/30/the-elephant-in-the-room-technology-trends-in-the-legal-industry>

⁴ <https://www.statista.com/statistics/747775/worldwide-reasons-for-adopting-ai/> 2017-2021

Adopt technology that streamlines legal bill review

Legal tech improves the efficiency of your legal operations by eliminating manual invoice reviews. Automated workflows assist with tedious tasks, allowing the legal team to focus on more critical legal work. Adopting technology to reduce administrative work increases organizational speed, too. According to a survey by Gartner, by 2024, legal departments will have automated 50 percent of legal work related to significant corporate transactions⁵.

Legal bill review is the perfect place to apply AI because it significantly increases cost savings and compliance. By using AI, organizations identify the invoice line items most likely to require adjustment, spot trends and patterns within law firm billing behaviors, and flag items for human reviewers. As a result, the process reduces attorneys' time to drive business value, not just legal value. AI is not only a valuable tool to reduce costs and help organizations achieve their business goals, but it is also helpful to make legal operations efficient.

⁵ <https://www.gartner.com/smarterwithgartner/5-legal-technology-trends-changing-in-house-legal-departments>

Legal bill review process challenges

Billing guideline compliance

Billing guidelines have become increasingly nuanced and complex, making them difficult to manage. As a result, outside counsel may submit invoices not appropriately coded based on the work performed or include unexpected rate increases. 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 noncompliance. Finally, some firms may make poor staffing decisions by having more routine or commoditized jobs done by senior associates, resulting in excessive time and billing rates. These actions often result in bills that are difficult to interpret or reconcile and are noncompliant with billing guidelines. For law firms, it can be challenging to comply with diverse guidelines across all clients, leading to overlooked violations. Overlooked violations can cause spend "leakage" in the invoice management process, potentially costing larger legal departments millions of dollars a year. Law firms want to comply with the billing guidelines. Still, they often struggle to comply because of overly complex billing guidelines and the lack of bandwidth and resources to review them meticulously. These factors often slow down the approval process and bill payments.

Operational efficiencies

In-house attorneys and claims professionals are responsible for the arduous and time-consuming task of reviewing invoices, line by line, to ensure accuracy and compliance. The time spent reviewing invoice line items is inefficient and costly. Also, itemizing high volumes of bills and providing details of expenses can be confusing. Sometimes, it's easier to approve invoices than determine which line items are not compliant. People are essential to the bill review process and always will be. However, they can also miss things, and it can be challenging to gauge compliance accurately when being forced to pore over hundreds of lines within a single invoice. Multiply this by the hundreds or even thousands of invoices legal and claims organizations receive each month, and you can get a sense of how much time invoice review takes away from more value-added work.

Cost management

Cost control remains a top priority. Corporate legal and claims departments are under enormous pressure to control legal spending and reduce cost inefficiencies. Complex billing guidelines and operational efficiency challenges contribute to the cost of attorneys performing mundane tasks, which are better solved with technology and automation.

The benefits of AI in the legal bill review process

Efficiency, compliance, and savings in legal operations are achievable by applying advanced technology to your legal bill review process. However, legal bill review can be manual and time-intensive for businesses that need to identify cost savings or compliance opportunities with law firms. Since legal spending is a significant cost driver for corporate legal and insurance claims departments, companies are looking at ways to use new technologies and workflows to improve their legal bill review processes and drive better cost outcomes.

The combination of AI technology – including ML and NLP – along with human input, helps corporate legal and insurance claims departments vastly transform and improve their end-to-end legal bill review processes. As a result, the process reduces attorneys' time to drive business value, not just legal value.

Key terms

Machine learning (ML): *The analysis of large data sets to find patterns, feedback, and repeated iterations that allows AI to learn, improve, and predict similar patterns in new data*

Natural language processing (NLP): *A branch of artificial intelligence that helps computers understand, interpret, and manipulate human language as it is spoken and written*



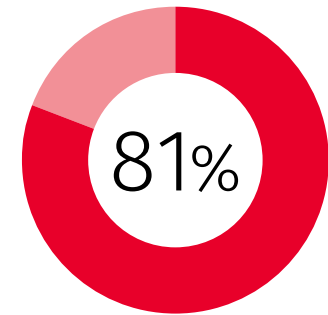
How AI and human intelligence alleviate legal bill review challenges

Better understanding of billing guidelines and how to build the best-in-class set

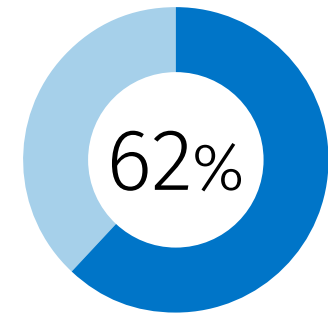
AI can absorb learnings from a colossal amount of data and apply that intelligence to the invoice review process. As a result, AI brings standardization and customization to invoice review and can drive process improvements much more quickly than a human-only approach ever could. This approach can result in up to approximately 20 percent improved billing compliance. Improving billing guidelines can help your organization achieve billing compliance, cost savings, law firm consistency and accountability, and best practices industry wide.

Improved outside counsel guidelines

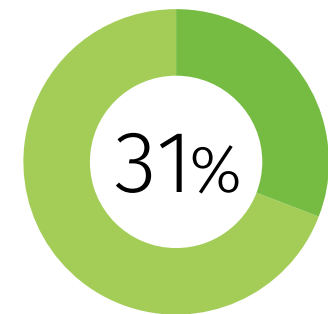
The gap between establishing billing guidelines and enforcing them is a key problem. Law firms must understand the policies, and the client must implement them consistently to get the best results. One way to improve billing compliance is a guideline benchmarking analysis that uses AI is to identify strengths, weaknesses, and opportunities for billing guideline improvement compared to the market. LegalVIEW® guideline benchmarking uses a rich data source called LegalVIEW, the world's largest source of legal performance data with over \$150 billion in anonymized legal data. It shows opportunities for billing compliance and provides actionable insights for potential savings.



81% of departments provide standard billing and management guidelines to their law firms, though only 62% routinely enforce them.



Yet only 31% of law firm departments receive feedback about their billing and matters.⁶



Improved operational efficiencies and cost savings

As discussed above, many corporate legal and insurance claims departments choose to have in-house attorneys or claims managers review bills. These professionals have an excellent understanding of their matters and the work done. Still, bill review takes time away from their core strategic responsibilities and creates prolonged and more tedious review and approval cycles. Instead of poring over invoices, those specialists can use the AI's findings to focus on areas where they can add the most significant business value. In many instances, adding AI to a legal bill review process can yield up to 10 percent estimated cost savings.⁷

Data-driven decisions

65 percent of legal professionals are now taking part in strategic business decisions.⁸ There is tremendous pressure for in-house lawyers to align their work with their companies' overall goals. Decreasing the number of hours they spend on the bill review function frees their time to offer more strategic counsel to help the law department improve legal outcomes and billing compliance at a macro level. AI helps legal professionals make data-driven decisions.⁸ AI can help them achieve their strategic counseling goals.

Stronger relationships with law firms

AI can help legal departments build better relationships with their law firm partners by fostering better compliance with billing guidelines and uncovering areas with the potential for improvement. Firms can better understand adjustments, resulting in fewer and more consistent appeals processes and faster review cycles. These factors promote greater alignment between corporate legal and claims departments and their law firm partners. Firms can gain a better understanding of these departments' goals and values.

⁷ Data compiled from sample LegalVIEW BillAnalyzer client data provided over a 12-month period

⁸ Data compiled from sample LegalVIEW BillAnalyzer client data provided over a 12-month period



LegalVIEW BillAnalyzer: The right tool for a complex job

The patented and award-winning [LegalVIEW BillAnalyzer \(BillAnalyzer\)](#) reduces legal spending and gives legal professionals more time to focus on higher priority work. BillAnalyzer is the first service to combine AI and machine learning with human experts to help corporate legal departments review legal invoices from their outside counsel partners more efficiently. BillAnalyzer's AI engine learns on LegalVIEW, which contains more than \$150 billion in legal invoices, representing over 35,000 law firms and more than 500,000 billing timekeepers. By combining the speed and efficiency of AI with the judgment and expertise of human invoice reviewers, LegalVIEW BillAnalyzer yields unprecedented results for legal and claims departments.

Alternative AI-powered bill review services

In some instances, outsourcing your legal bill review may not be the ideal solution for your business. There are various ways that AI can work for you. [LegalVIEW BillAnalyzer Data Service](#) optimizes the legal bill review process by combining AI with your existing invoice review process. Our BillAnalyzer Data Service provides your internal bill review team with insights into billing practices, performance metrics, and unmatched cost and compliance savings.



AI-powered bill review business case studies

Let's highlight a few real-world cases of companies already experiencing the benefits of AI-powered bill review. All are currently using ELM Solutions' LegalVIEW BillAnalyzer, which combines AI and human legal expertise to help transform and improve the end-to-end legal bill review process.

Financial services company modernizes its legal department with AI

Situation: A leading financial services and retirement provider embarked on an impressive journey back in 2018 to modernize its legal department. The journey included developing and selling the plan, building out the tech roadmap, rolling it out to the department and measuring results.

Challenge: The company sought to identify areas of potential savings and automate its bill review processes, so they were consistent across the board and less dependent on manual review cycles, allowing the legal team to spend less time ensuring the accuracy of invoices.

Outcome: By implementing BillAnalyzer, coupled with policy changes and automation of small invoice payments, the company:

- Reduced outside counsel expenses by 8 percent YTD
- Reduced time of invoice review by 25 percent for invoices over \$5,000
- Increased speed to payment by 20 percent YTD, ensuring 5 percent quick pay discount applied to invoices

Highlight: The company took a total spend management approach to solve its legal operations challenges. [Learn more here.](#)

Insurance company gains 12 percent in savings using AI-powered bill review

Situation: One of the world's leading providers of reinsurance, insurance, and other forms of insurance-based risk transfer sought a more efficient way to complete its e-billing cycles. The senior vice president noticed significant errors from the claims team and severe lag time in the bill and claim review processes and billing guideline compliance issues.

Challenge: The team frequently reviewed stacks of client-specific bills roughly the size of the Yellow Pages every month, making manual review extraordinarily cumbersome and error-prone. The SVP was concerned with the errors and the amount of time and money spent on bill review. She needed a solution to stop revenue leakage and increase compliance, efficiency, productivity, and savings.

Outcome: The SVP implemented BillAnalyzer and discovered that machines see better than people. LegalVIEW BillAnalyzer reviews invoices in seconds. In addition, the system's reports provided information that the claims teams needed to drive actionable insights and continually improved the legal bill review process.

Highlight: While most organizations using LegalVIEW BillAnalyzer can generate savings of up to 10 percent, this company experienced an above-average 12 percent savings on ~\$7 million in spending within its first year of using the solution.

AI-powered bill review helps engineering solutions company build a better e-billing process

Situation: One of the world's leading providers of materials engineering solutions sought a more efficient and compliant way to perform e-billing. The 55 attorneys did first-level bill reviews on staff. Still, outside analysis of existing processes showed that 80 percent of those attorneys were rubber-stamping invoice approvals, and outside counsel was not following the guidelines. The senior executive of legal operations believed there was an opportunity to improve invoice compliance with outside counsel guidelines.

Challenge: The company was already using AI-enabled products for e-discovery, cognitive services, and contract lifecycle management. Before selecting an AI-enabled bill review solution, the company examined its options, which included:

- Hiring a local, dedicated paralegal bill reviewer
- Insourcing bill review to the company's offshore location
- Outsourcing bill review to a traditional alternative legal service provider (labor)
- Outsourcing bill review to an AI-enabled provider

Outcome: The company decided to outsource bill review to reduce compliance issues, speed up the bill review process, and save time and money. They chose LegalVIEW BillAnalyzer to turn invoice review into a repeatable process that allowed large datasets to be analyzed based on well-defined rules. In addition, BillAnalyzer's AI engine and expert reviewers were highly effective at identifying noncompliance. In particular, the company found the solution to help identify late bills and discounts.

Highlight: Since implementing BillAnalyzer, compliance rates and savings have accelerated. The AI-powered bill review process exposed inconsistencies in the billing guidelines and helped identify areas of improvement. As a result, the client now has an entirely new, improved, and highly effective bill review process that drove superior results and compliance rates over 95 percent.

Calculating the savings and ROI

AI-enabled bill review can help legal departments reduce costs and maximize efficiencies. To illustrate, let's assume that a legal department:

- Oversees \$20 million in annual outside legal spend
- Employs 20 full-time in-house counsel
- Manages approximately 1,800 legal matters that involve outside counsel
- Reviews and processes 10,000 legal invoices annually

Let's assume that the above figures are constant over one year. The chart on the right displays the low, medium, and high-range potential savings and ROI scenarios.

AI equals ROI


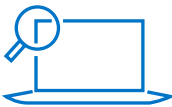


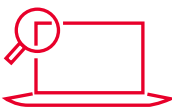


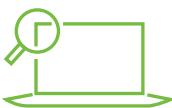

As we've covered in this eBook, integrating artificial intelligence into the legal bill review process can improve operational efficiencies, cost savings, and compliance. In addition, this integration allows attorneys to think more strategically about matter management and how their work can support broader business goals. These benefits make AI-enabled bill review a strategic choice for corporate legal teams tasked with increasing productivity without increasing headcount.

Bottom line

AI-enabled bill review does not replace a legal operations department, but the best practice e-billing model makes a legal department much better. With AI-enabled bill review, teams can operate much more efficiently and effectively. They can quickly improve billing compliance and the accuracy of their invoices. They can save time and money, allowing them to focus on mission-critical business objectives instead of invoice line items. And they can build better relationships with partners.

All of this adds up to an exceptional return on investment to achieve optimal efficiency and savings through AI.

Check out the estimated results you can expect with LegalVIEW BillAnalyzer

| | Internal resource savings | | Adjustment savings | | Combined annual savings |
|--------|--|---|--|---|--|
| Low |  \$56,250 | + |  \$1,000,000 | = |  \$1.1 million |
| Medium |  \$112,500 | + |  \$1,600,000 | = |  \$1.7 million |
| High |  \$168,750 | + |  \$2,000,000 | = |  \$2.2 million |

Contact us to learn more
about how AI-powered legal
bill review can help your
organization succeed.

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