

ELM Solutions

# Your guide to improving legal billing guidelines and compliance

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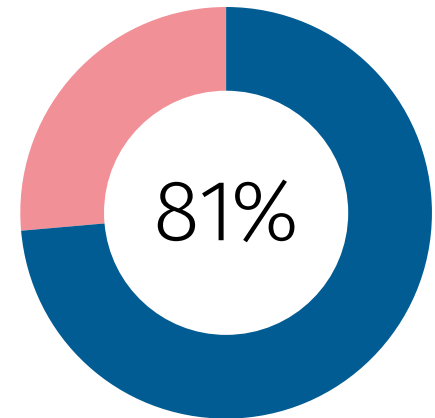
# Introduction

Creating strong and effective billing guidelines and ensuring your law firms are compliant with those guidelines are two of the most important things a legal operations team can do for its organization. When firms work within clearly defined and explained guidelines, it can save your organization millions of dollars, expedite billing and administrative processes, help you gain better value from your law firms, and ensure you're aligning the right firms with the right matters.

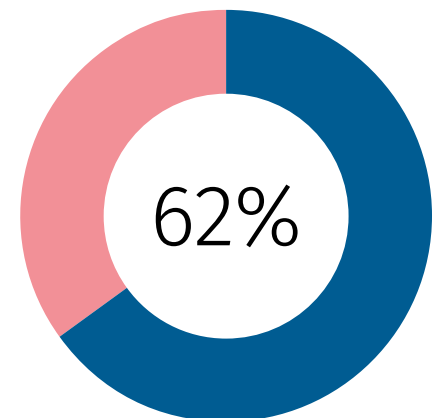
So why don't more corporate legal departments (CLDs) and insurance claims organizations focus on creating, maintaining, and enforcing compliance with billing guidelines? There are many reasons.

- **First**, attorneys consider themselves lawyers more than billing administrators. They like to bring value to their organizations through the practice of law, not by poring over invoices, managing costs, and looking for invoice guideline transgressions.
- **Second**, creating and maintaining guidelines is hard. The initial creation takes time, as does keeping them up to date and in step with the rest of the industry. Annual reviews can be both time-consuming and tedious.
- **Third**, many corporate attorneys fear that enforcing compliance could be detrimental to their established relationships with preferred law firms. They've been using these firms for years, and they understand them and like them—even if they have no proof that those firms are delivering the best value for the rates they're charging or if they're the best options for specific matters.

But with internal legal teams being asked to do more than be a cost center within their organizations, it's more important than ever for them to get a handle on the billing behaviors of their law firms to ensure they're getting the best value. It is essential to establish detailed, specific, and clear guidelines that cover how much is being billed and why, who's working on matters and for how long, and other billing activities.



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



Source: 2019 Chief Legal Officer Survey – Altman Weil



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# Introduction

Let's look at ways to improve billing guidelines and enforce compliance with those guidelines in your organization to ensure they align with your strategic goals. By the time we're done, you'll have a better understanding of how guidelines and compliance enforcement can improve:

- Cost management efforts
- Strategic visibility and decision-making
- Relationships between your team and outside counsel
- Legal billing outcomes

Ultimately, you'll learn how to use guidelines and compliance to achieve your program's goals, improve your relationships with your law firm partners, and show your team's value to your organization.



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# How and why to build good billing guidelines

Nothing beats clear and concise legal billing guidelines for containing costs, increasing efficiencies, strengthening relationships with outside counsel, and just making everyone's lives easier. Legal billing guidelines are designed to help reduce invoicing mistakes and make it simpler for your team to discern if outside counsel is providing value and working efficiently. And guidelines help outside counsel understand what they can and cannot invoice your organization for and when and how they should invoice.

**What makes a well-crafted billing guideline? Some basic rules apply, including:**

**Alignment with your organizational goals.** Guidelines won't necessarily be the same for every organization. Maybe you want greater savings or better legal spend management or for your bills to come through cleaner. Maybe you need to make your organization run more efficiently. Possibly your organization has set diversity and inclusion parameters for outside vendors. Whatever your goals, draw up guidelines that work best for your company.

**Clarity and brevity.** Guidelines shouldn't be overly complicated. In fact, the simpler and clearer the better. Be distinct about your expectations for processes and procedures. Guidelines that are unambiguous, free of legalese, and directly target common compliance issues (block billing, travel-related provisions, and duplicative billing, for example) work best.

**Market specificity.** Different industries and sectors will have different guidelines. Guidelines for law firms working with insurance companies, for example, will probably differ from those working with organizations in the technology sector. Performing a [guideline benchmarking analysis](#) against your peers can help you understand where your guidelines are lacking, if they're on par, or if you're leading the pack.

Ultimately, you want your [guidelines to be best in class](#). Well written guidelines can help ensure you're getting the most value from your firms, and that'll reflect well on you, your team, and your company.

But creating good guidelines is only the first step. For them to be truly effective, you need to practice continuous guideline management and compliance.



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# What is billing guideline compliance, and why is it so important?

When a firm adheres to the guidelines you've provided to them, they're in compliance with those guidelines. But compliance means more than just following a set of billing rules you've set forth. When outside counsel is compliant, they're doing much more, including:

- Providing cleaner, clearer, and more accurate invoices. The cleaner the invoices, the less time you'll spend reviewing those invoices for inconsistencies and inaccuracies.
- Showing they understand your expectations. From budgeting to staffing, you'll be able to better understand who's working on your legal matters, how much you're spending on those matters, and whether the firm is meeting your expectations.
- Helping you see if you're using the right firm (or not). A firm that's overspending or overstaffing a legal matter might not be the most appropriate firm for that matter, leading to unnecessary costs and less value.

Managing billing compliance takes even more time and commitment than creating billing guidelines. Because while guidelines can be revisited annually, monitoring for compliance is an ongoing job that involves tracking invoices, carefully reviewing them, sometimes rejecting them, working closely with outside counsel to improve compliance, and more.

It's a challenge, but it's extremely important. Without monitoring compliance, you won't be able to tell your managers that the firm you've hired is operating efficiently or effectively. While you might be able to achieve some good outcomes, you won't know if there are other firms out there that could meet or even exceed those outcomes at a lower cost.





# How to manage outside counsel billing compliance

Effectively managing outside counsel billing compliance entails focusing on three different areas: Bill review, outside counsel management, and building a flexible strategic plan for long-term success. Let's look at each of these factors to see how to apply all of them to your compliance monitoring efforts.

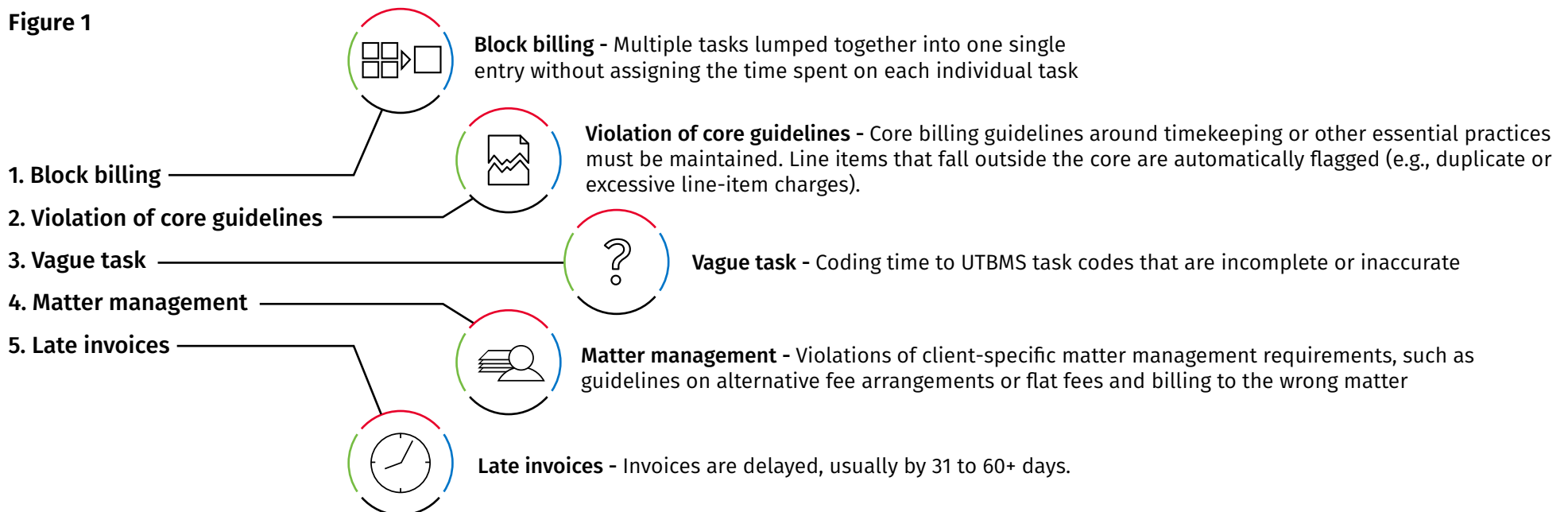
## Use an expert AI-driven bill review provider

CLDs and insurance claims teams can spend hours upon hours reading through a stack of invoices the size of a hardcover bestseller. It's a dreaded task but necessary. Not doing so can result in spend leakage resulting from some of the top billing violations that guidelines are meant to address (see Fig. 1). Even if your team does endeavor to undertake the task, they can make mistakes, resulting in missed violations and other oversights. And they're probably not looking for patterns and strategic insights that would indicate areas for improvement.

"Spending on AI software will top \$125 billion by 2025 as organizations weave AI and machine learning tools into their business processes. In parallel, investors have poured more than \$5 billion into over 1,400 AI-fueled sales and technology companies to meet this demand."

-- Forbes, [Realizing the Growth Potential of AI](#)

Figure 1



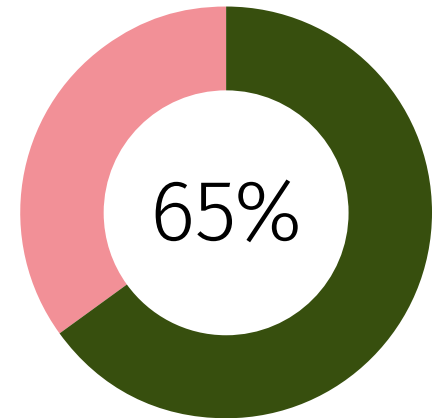
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## How to manage outside counsel billing compliance

Given the inefficiencies and ineffectiveness of traditional bill review processes, it's probably better to look outside your immediate team for this specialty. Working with a group of AI-driven bill review experts who are laser-focused on the task at hand is a logical option. Trained specifically to search for errors, violations, and patterns in your outside counsel's invoices, they can leverage tools like artificial intelligence and their own expertise to quickly comb through bills, flag inconsistencies, and provide you with recommendations for improvement.

They can even assume complete responsibility for all invoice and compliance management, essentially serving as a go-between that handles billing issues so your team can focus on more value-added activities. This can save you thousands of hours in personnel time that would have otherwise been spent examining invoices. And by spotting violations your team might not be able to see, the expert partner can save you potentially millions of dollars in lost revenue due to billing errors.

Finally, they can provide you with insights into which firms might be overbilling, spending too much time against your allotted budget, or other issues that might indicate the firms you're using may not be the best option for certain types of matters. These insights will allow you to assign matters more appropriately in the future.



65% of legal department operations professionals believe most law departments will be using artificial intelligence for legal work in the next three years.

Source: 2021 Blickstein Group Annual Law Department Operations Survey



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## Engage outside counsel in your efforts

Don't think of managing compliance as a way to keep your outside counsel partners in check. Instead, consider it a means of building closer and more successful relationships with those partners. Indeed, for billing compliance to be effective, you need to educate and engage your outside counsel partners to ensure they clearly understand your expectations and to learn where your guidelines may need revision.

For example, law firm education sessions can be highly effective in building relationships with firms and helping them understand how to comply with your guidelines. These sessions provide an opportunity to educate your partners on your corporate goals and legal objectives and how they can help you achieve them through compliance. You can clearly articulate your billing guidelines and expectations and how those guidelines will be enforced.

Moreover, holding education sessions, whether in-person or virtual, helps bring your partners into the fold. You can talk to them about how remaining compliant will help drive success for them with your company, including how they'll be helping you save costs, prove their value to your company, and more. Their abilities to hit these metrics will surely resonate with your management team and assure your law firm partners of a continued position on your panel.



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Consider managing compliance as a means of building closer and more successful relationships with law firm partners.



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# Build a strategic—and dynamic—roadmap for success

You stand a better chance of success in your compliance and guideline efforts if you have a strategic plan in place. Your plan should be updated annually and include a set of measurable program goals that tie back to your organization's overall objectives. Ideally, these goals will be broken down by smaller timeframes to make them more manageable—a cost savings estimate for the first year, for example, an efficiency improvement goal for the second year, and so on.

Measurement can be achieved through various methods. For instance, law firm scorecards are an excellent tool for measuring the success of outside counsel based on objective and subjective data points, including points related to compliance. Scorecards can be used to make decisions about whether to assign firms to future matters. And case assessments can be used to analyze if goals and budgets are being met during an engagement.

However, monitoring compliance and managing billing guidelines cannot be “set it and forget it” tasks. Because business and industry requirements, goals, and regulations all change, your plan must be fluid and adaptable, with the option for adjustment as necessary. Hence, your approach to compliance may need to change, too. That might not be something your team has the bandwidth to handle.

Again, this is where partnering with compliance and billing guideline experts may prove useful, especially if they're familiar with your industry. A team with deep domain expertise in your market—one that has [innovative technology solutions](#) and understands market norms and how your peers are performing relative to those norms—can help you adjust your guidelines and compliance efforts accordingly. They can help you become a compliance and guideline leader that's the envy of your industry.



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## Successful compliance roadmaps

- ✓ Are updated annually
- ✓ Are benchmarked against industry standards
- ✓ Include measurable goals
- ✓ Are fluid and adaptable
- ✓ Take time and commitment
- ✓ Support change management

# Conclusion

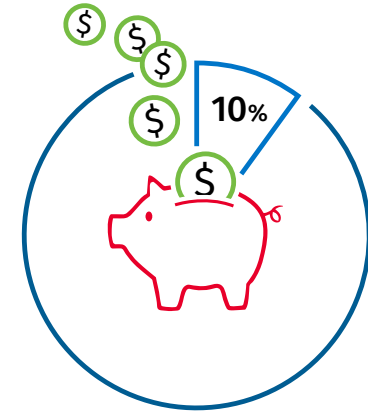
Optimizing your billing and compliance processes will take time and commitment and require some change management, both internally and externally. Attorneys can be heavily tied to tradition, and some of the initiatives we're proposing here are anything but traditional. As you begin to undertake these initiatives, you'll want to work with change management experts who can guide your team and outside counsel to ensure everyone is comfortable with your new compliance and guideline processes.

Within just a couple of months, you'll begin to see marked improvements in cost savings, efficiencies, and business value. As you continue to work with your external partners, your invoices will be cleaner and less error-prone, your team won't be burdened by hours of processing time, and the relationships you have with new and existing firms will be greatly improved.

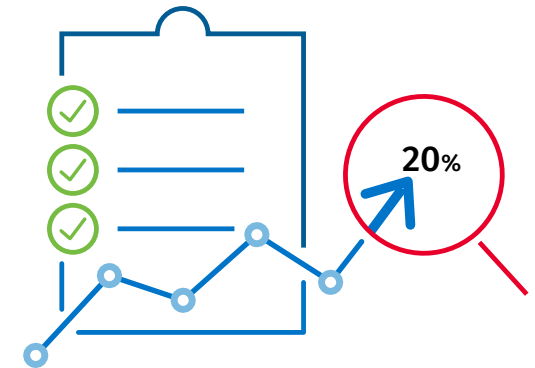
Most importantly, you'll see a significant uptick in the amount of value your organization derives from your team. That's because your invoicing practices will be more closely aligned with your company's overall objectives. You'll be doing your part to help your organization become more streamlined and profitable while helping your CLD focus on what they do best: Practicing law.

## AI-enabled bill review: Bigger savings, better compliance

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



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



Source: LegalVIEW BillAnalyzer Expert Service by the Numbers | Wolters Kluwer



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## Contact us

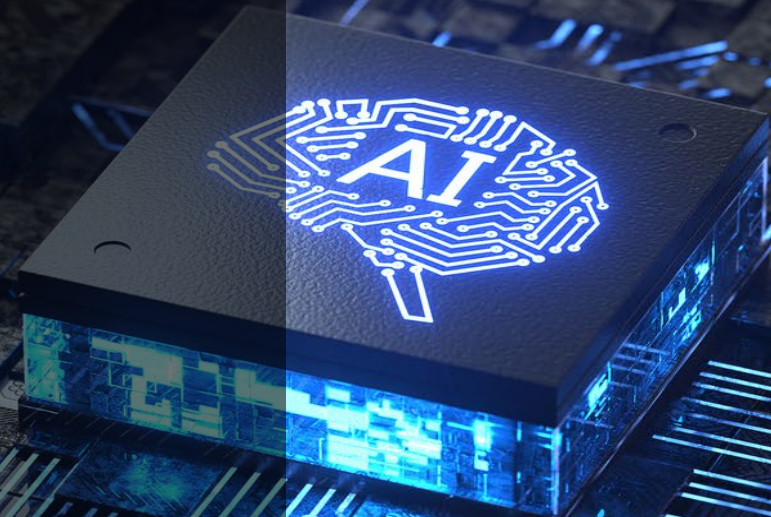
Contact us to learn more about how AI-powered legal bill review and guideline benchmarking analysis can help your organization succeed.

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