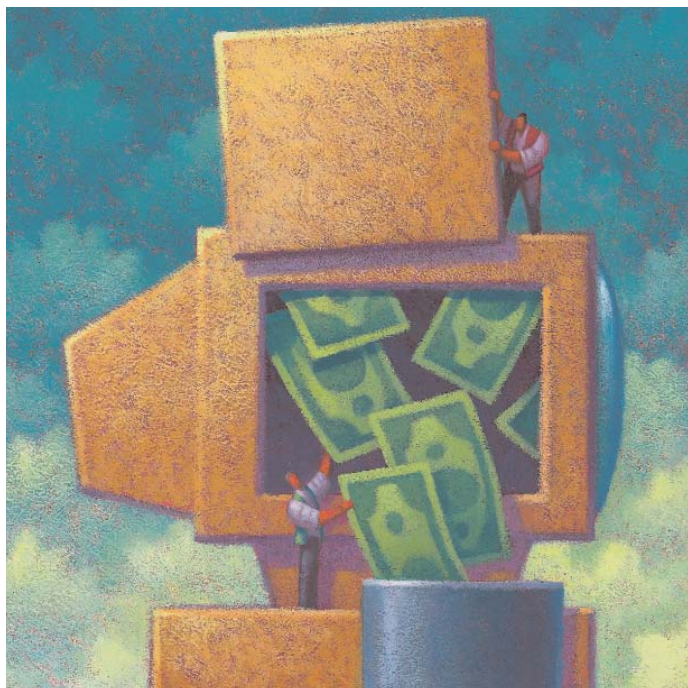# Implementing Electronic Billing

by Mike Mullen of ProVantage Software, Inc.

Sending billing information to a client electronically isn't a new idea — in fact, transferring machine-readable data has been doable and desirable ever since there was more than one machine. But if e-billing is new to your firm, you'll quickly see and appreciate the increased accuracy and timesavings once you determine a common format that can be understood by the sending and receiving systems.

Because of the variety of media and the diversity in applications, many firms initially balked at client requests for e-billing. But times have changed, and nowadays both the firm and the client benefit from electronic submittal of bill detail and online review and approval of invoices by the client.

Just What Is E-Billing?

E-billing — Electronic Data Interchange (EDI) — is the generation and translation of billing information into one of several standard formats such as LEDES (Legal Electronic Data Exchange), Tymetrix, LegalGuard or Litigation Advisor. Once created, the data is almost always transferred to the client via e-mail or through the Internet — a real time-saver. The days of sending diskettes or tapes are gone!

The Devil Is in the Details

The two good things about the "standard" formats are that there are lots of them and that they are so flexible.

Even though two clients request the same "standard" format, there may be cases where one client requests modification to more closely meet their own unique billing and auditing requirements. The firm's e-billing software will need to allow easy customization of the format to handle the universe of variations surrounding these so-called standards.

For example, one client might require that all hours be represented in tenths of an hour, even though a standard format such as LEDES accepts two decimals. If the firm's accounting system allows entry of hours in quarter-hour increments, the hours have to be rounded to the nearest tenth while creating the e-bill file. In addition, when the hours change due to rounding, the rate must be recalculated so that the hours multiplied by the rate will still equal the fee amount.

Many clients require a bill status description of "Initial" for the first bill, "Interim" for the subsequent bills and "Final" for the last. The e-billing software can easily detect the first and subsequent bills, but some procedural method such as closing the matter must be done to signal that a bill is the final one.

Often, different clients require unique task codes and descriptions, and the software should be able to automatically translate the internal work or task codes to the desired codes and descriptions for the clients. These aptly named translation sets can be saved and used as the default e-bill for a client.

After an e-bill file is created it is sent as an ASCII text or XML file. This file can be attached to an e-mail or transferred via the Internet to the client or to a specified third-party billing/auditing organization that works for the client.

How E-Billing Benefits Clients

E-billing enables your client to validate, audit and control a billing cycle and approve the invoices online. In some cases,

clients will pay their invoices electronically as well. Those that use e-billing can count on standardization of work and cost types used for billing, which helps them conduct statistical analyses on work performed on similar matters by multiple firms.

How E-Billing Benefits Firms

E-billing typically works with bills that have already been created by the system — by reprocessing the associated fees and costs to produce the desired output. Assuming that the transactions include the required task, activity and cost codes, the accounting system will generate e-bills without special requirements on the part of the firm. With e-billing, transcription errors are eliminated, as are duplicate bills, fees and expenses. And since the bills are submitted electronically rather than snail-mailed, the payment cycle, in theory, is shortened. And in this marketing-driven day and age, e-billing certainly has a place as a sales tool that can be used to attract new clients and strengthen ties with existing clients.

Before You Begin Implementing E-Billing

There are a few caveats to consider before you dive in:

Does your current billing software offer e-billing as an add-on?

Is your firm better served by a Web-based product? If so, check the recurring costs of such a program.

Is the software easily customizable, or are services available to meet clients' specialized formats?

Are transactions currently entered with the work, task, activity and expense codes that will be required? Alternatively, can task code cross-reference tables be created to handle the conversion of internal codes to those required by specific clients and formats?

Does the accounting system provide a place for information such as policy numbers, claim numbers and case classifications assigned by the client and required in the output file?

Does the e-billing software work with bills after they are processed by the accounting system so that they do not need to be reversed and billed again to accommodate a format change?

To "E" or Not to "E"

If you decide e-billing is right for your firm, you'll have a fair amount of homework to do before implementing it . But once you have it, you may discover it makes life at the firm — and with your client — just a little bit easier. And who doesn't like "easier!"

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