**Greensboro Bar Association**

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**A Primer on Your Firm’s Financial Health Part 2: Billing**

If you are operating the fees, billing, and collections component of your practice as you did twenty years ago, chances are you are missing opportunities for work.

**Legal Trends Report**

Clio is a cloud-based legal practice management solution designed for solo and small law firms. Clio serves 150,000 customers spanning 90 countries.

The Clio Legal Trends Report provides information on the most important issues facing the legal profession. By analyzing aggregated and anonymized data from tens of thousands of legal professionals, supported by extensive survey research, the report offers unique insights into law firm efficiencies, hourly rates, and other key metrics for success.

The Clio 2019 Legal Trends Report showing law firm production numbers are disappointing, but not surprising based on my conversations with solo and small firm owners.

* Average daily utilization rate – 2.5 hours of billable time
* Average daily realization rate – 2.0 hours billed to clients
* Average daily collection rate – 1.7 hours collected from clients

The average law firm bills clients for work roughly within 30 days of performance and gets paid approximately 90 days later presenting a four-to-six month gap in cashflow.

Law firms can speed up the process by which payments are received and simplify the process by focusing on the essentials.

Jordan Furlong, lawyer and legal consultant with Law21, suggests offering your clients a “crisis billing arrangement” for any matters arising out of the pandemic and recession, rather than billable hours. Your client will pay a monthly “pandemic flat rate” on the lower end of your billing scale, with a unique billing code that all timekeepers in the firm will use for simplicity and with automatic payments to ensure financial stability.

**Voice of the Client**

From your client’s perspective, nothing annoys them more than surprises when it comes to billing. Here are the excuses or delaying tactics often used, are you guilty?

* “The case was more complicated that we expected”
* “I’ve already written off some of my time and had an associate do a lot of the work to keep your bill low”
* “I’ll check with the managing partner and get back with you”

Your client would say:

* “You’re the lawyer, you should know what this case is going to cost”
* “How many of these cases have you tried before? The data is in your billing records, use it”
* “Before we start a matter, give me a worst-case scenario in terms of cost so I can decide if I really want to pursue it”
* “If there is a wrinkle in the case that may cost me more money, pick up the phone and call me”

**Use the Data**

Review your financial reports for the prior 18-24 months for clues, data, insights, and trends and talk this over with your accountant or CPA. What is your most profitable work? Your least profitable work? Are you staying in touch with clients? Referral sources? Networking from six feet is not only possible but necessary. Do you know where your work comes from? Use this time to be strategic about building your referral network and thanking them for their efforts.

Look for opportunities for additional work. What work have you been doing that should be expanded? What are new practice areas to explore? What new regulations might impact your client in an unexpected way?

**Make Billing a Priority**

* Put processes in place to ensure you are adequately capturing your time which should be billed to clients
* Document your billing process in order to improve billing workflow
* Timely billing results in greater collections – is it necessary to only bill once a month? Is it time to change the process? Rather than hold all bills to the end of the month, do you want to process bills throughout the month?
* Does your process involve multiple layers of time keeping, review, editing, and processing?
* Streamline the process and you’ll collect more money and have happier clients

**Conclusion**

Billing is a work in progress. As with many aspects of your practice, this is an evergreen component, meaning that there is always work to be done, always knowledge to collect to make sure you are on top of trends, and constant communications with clients as to how they are responding to your fees, billing practices, and collections processes. Check in next month for our next installment on collections best practices.

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