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Everything You Need to Know About the Billable Hour

developers · Monday, August 1st, 2022

"Bills, bills, bills." They're top of mind for law firms with associates and partners struggling to hit their billable hours requirements. But most legal professionals dread tracking their time down to the minute. And law school doesn't prepare you for just how much of the day lawyers spend breaking down their work into six-minute increments.

Your law firm likely bills its clients by the hour. Therefore, you're probably familiar with the usual roadblocks to hitting billable hours targets. Typical problems throughout the workday include projects that take up non-billable time such as client development, career development and mentoring for younger lawyers, billing and time spent on administrative tasks, and slowdowns associated with outdated software and inefficient processes.

But maximizing your law firm's billable hours is good for everyone in your firm. The only question is, how can you achieve this goal? Fortunately, you don't have to be in a New York law firm to solve this problem). The right legal tech can make sure that no billable time spent on legal services goes uncaptured and that you're billing clients accurately — whether you're working for a big law firm or a public interest shop.

We'll explain how to make the most of the long hours that your timekeepers bill using technology. But first, let's talk about what is and isn't billable.

What are billable hours?

A billable hour is an hour spent serving the client. It includes all the time that attorneys and paralegals spend actually thinking about or working on a matter or case.

Examples of billable time include revising a purchase agreement; drafting an employment agreement or other contract; writing a brief or appeal; strategizing, researching, and corresponding with clients; and attending hearings or meetings. Put simply, it's time you spend on professional tasks that your law firm can and should charge to its client at a previously agreed-upon rate.

The billable hour has been around for a long time. However, the legal industry has seen a movement toward a range of alternative billing structures. A few examples include flat-rate billing, subscription-based fees, contingency fees, limited scope representation, and sliding scale fees.

Regardless of what structure your law firm implements, the key is making sure that you're tracking time accurately and getting paid promptly by clients for services you render.

What is the difference between billable and nonbillable hours?

Non-billable hours may be fun in the moment, but not when it comes to billing time. Associates don't like recording them on their timesheets, and partners generally don't enjoy seeing them either. But they're essential work for the lifeblood of your law firm. The key is to minimize the time your associates have to spend on unnecessary non-billable work that doesn't add value to your firm.

So, what is non-billable time? Non-billable hours are any hours that you can't bill to a client. This includes time spent on administrative tasks (like billing and collections), wooing new clients and other business development activities, attending continuing legal education (CLE) seminars, participating in ABA and other bar association meetings, and schmoozing at networking events.

Non-billable work is important to your law firm. It keeps it organized, running, and growing. Issues arise, however, when lawyers spend needless amounts of time on administrative tasks that they could automate or delegate. By automating administrative workflows with legal technology, your law firm can decrease the time that its lawyers and paralegals spend on non-billable tasks and improve billing productivity.

How are billable hours typically tracked and calculated?

Billable hours are tracked in different increments depending on your law firm's preference. The usual suspects are the six-minute increment and the fifteen-minute increment (rounded up or down). Timekeepers must track their time accurately to bill clients properly. Accurate timekeeping also helps law firms set proper pricing strategies and billing metrics.

Most of the time, calculating your billable time is straightforward. You simply multiply the number of billable hours you worked by your hourly rate.

However, calculating the number of billable hours can get complicated if your law firm charges different fees to different clients, if it bills certain practice areas out at higher or lower rates, or if the rate you charge changes later in the fiscal year. All of these changes mean that manual spreadsheets just don't cut it when it comes to tracking properly and getting paid.

To calculate your billable hours, we recommend the following best practices.

1. Set hourly rates for billable hours

This requires forethought and analysis of your law firm's finances (reporting is your best friend here). Questions to ask yourself when setting hourly rates include: What is the seniority level of the attorney being billed out? How specialized are the services being offered? What is the quality of the client relationship? What is the market saying? When determining hourly rates, we recommend that your law firm also consider and account for other expenses such as overhead costs, non-billable tasks associated with the matter, and other employee-related costs like vacation time.

2. Track, record, and add up billable and non-billable hours

You rely on your firm's attorneys to accurately track and record their time. As discussed in more detail below, tech can help your attorneys both track and maximize their billable hours. We recommend tracking both billable and non-billable time spent on client matters. This will give your firm valuable data and help with project management. It will also help your firm evaluate whether the hourly rate charged is sufficient. When the billing cycle ends (usually monthly), your accounting department will add up all billable time and create an itemized list of services rendered.

3. Multiply billable hours by the hourly rate and add any additional fees or taxes to the invoice

This is the part where your law firm gets paid! But the billing process can become tricky if your firm charges different rates based upon the client, firm practice group, or lawyer seniority. Your firm will need to create a set of rate tables and apply those to different clients or matters.

We highly recommend using tech to ensure that your calculations and billing are correct. There are few things more embarrassing or worrying than a client questioning the accuracy or integrity of a bill.

How can my law firm maximize billable time?

Simplifying the time-tracking process and offering integrations is the best way to maximize billable time. Essentially, it helps your lawyers cut through administrative frustration and gives them more daylight hours to work on actual billable work. Other legal software can also save your lawyers and firm non-billable hours by automating routine tasks, such as billing and collections.

We recommend both encouraging your legal staff to record tasks as they are completed and setting an office-wide policy for when time-entry is past due. We understand how tough simultaneous tracking can be, especially when your attorneys are working on multiple matters for multiple clients and are in and out of the office all day for hearings and client meetings.

Mobile tracking (as discussed below) can help even your firm's most forgetful attorneys track time throughout the day. Tracking and entering daily is just best practice. It ensures that you're billing clients completely and accurately.

A firmwide policy for billing descriptions should also be a part of your policy governing time recording. No client wants to see a bill for something vague, like "attended meeting." Training your lawyers on the front end will save your law firm endless time when revising client bills and invoices.

As you know, technology can help streamline your billing processes, and it can also help your lawyers draft templates with descriptions of tasks completed and billed that they can use for certain clients and matters.

Training lawyers on how to delegate non-billable tasks to support staff is another way to maximize billable time. Your law firm has support staff for a reason. To the extent possible, lawyers at your firm should be spending most of their day working on billable tasks. As we'll discuss below, technology can help your law firm get there.

How can technology help track billable hours?

Legal tech can upgrade the way your firm's lawyers track time, and a comprehensive, integrated tracking system is the best way to do it. An organized system will help to ensure that no billable hour goes untracked. What's even better is that productivity tools remove the tedium out of billing, so your lawyers can spend less time writing descriptions and more time writing briefs.

Consider the following tools and features courtesy of tech.

An integrated system

Capturing time automatically through system integration will transform time tracking for your firm's attorneys.

- Inbox and calendar entries. When you integrate your billing software with Outlook, watch the automatic capture of time spent drafting emails or attending meetings. Eliminating the need to manually enter time saves your attorneys time and ensures their time entries are more accurate. Automatic time capture from the right platform can help law firms bill, on average, an extra 8 hours every month.
- Documents and tasks. Integrating your time-tracking system with Word and Excel will also save your lawyers time. Your attorneys and legal staff can enter billable hours in real-time, removing the hurdle of tracking for each matter individually.
- Communications, calls, and text messages. With an integrated mobile application, your lawyers will be able to track inbound and outbound calls with clients. These calls are tracked and automatically recorded as billable events, and your firm's attorneys can also automatically capture text messages as billable events. Automation removes the hurdle of remembrance and gives your lawyer's more time to focus on getting work done.

Mobile apps

Mobile applications for tracking and entering time, which are available for iOS and Android mobile devices, provide enhanced flexibility for your legal team. Your firm's lawyers can enter their time from the courthouse or at the opposing counsel's office. The fewer barriers there are to time entry, the more accurate the timekeeping. The time-tracking features in this type of legal billing tool have also become increasingly invaluable during the pandemic to those who work from home.

Improved timesheets

If you've learned anything from this article, it's that everyone hates tracking and entering time. Help your firm's lawyers get to the important stuff by providing convenient, easy-to-use timesheet templates. No one should be using an Excel spreadsheet or handwritten diary (or law practice management, case management, or document management for that matter!).

Timers

Timers are a game-changer. They help your attorneys better track multiple clients and multiple matters. Providing software where your firm's lawyers can create client-specific templates and prewritten narrative entries for larger matters will save everyone time and headaches.

It's time to bill better

By getting high-quality legal time management software in place, your lawyers will have more time for actual legal work. Your firm will reap the rewards of enhanced efficiency and optimization. And, not to mention, your lawyers and staff will be happier.

This entry was posted on Monday, August 1st, 2022 at 12:00 am and is filed under Billing & Accounting
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