

It's Never Too Early to Avoid the Year-End Rush on Billing Issues

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Though December may be the appropriate time for the final push, summer can be the time to reinforce the fundamentals for effective fee collections.

Issuing bills and collecting fees can be a challenging task for many attorneys. Some find it difficult to give billing issues the attention they need, given the demands of their law practice.

Often, attorneys may feel tempted to ignore billing issues until the year-end collections push. However, by only focusing on billing at one time during the year, attorneys (and firms) may end up leaving earned fees on the table or could otherwise miss red flags that could indicate other problems with the representation.

Thus, many firms will encourage their attorneys to take a serious look at outstanding invoices, work in progress fees and overdue accounts prior to the year-end push. Although December may be the appropriate time for the final push, summer can be the time to reinforce the fundamentals for effective fee collections.

Are Bills Being Paid?

Assuming that bills are sent regularly, if a client is not paying its invoices regularly or in full, this time of year can be a helpful time to investigate. Waiting until December may leave the firm with fewer options and little time to deal with unpaid bills.

Clients have many options for how and when they pay bills. Some clients review amounts or even appeal the invoices before paying. Others may regularly let bills accumulate and pay them in full quarterly. However, the failure of a client to pay over an extended period of time can indicate a problem, either with the client's ability to pay, or, in some circumstances, with the relationship.

If bills are remaining unpaid, many attorneys will investigate to try to identify the source of the delay. For example, the bills might have been sent to the wrong person or, it could be that the firm or the invoices are not in the client's system.

On the other hand, it could be that a client is receiving the bills, but nonetheless is refusing to pay some or all of them. When this happens, there are several potential explanations.

Some clients refuse to pay because they dispute the amount of the bill. In such a circumstance, the attorney may choose to engage in some frank discussions regarding the work performed and anticipated future work and billings. Getting everyone on the same page about both the amount of work a matter requires and the cost of that work is important to avoid even bigger disputes down the road. The attorney may choose to discount or write-off amounts—as

a client service issue—if the amounts exceed what was expected.

However, if the client is refusing to pay because the client is dissatisfied with the quality of work, then additional steps may be helpful. Typically, ignoring such dissatisfaction does not make the issue go away and can get worse with time. Most firms in this situation will confront the issues directly to determine whether the client is unfairly refusing to pay or if there is a more serious quality issue.

Most often, fee disputes reflect misunderstanding about what work the attorneys are doing and what costs are associated with that work. If a client does not understand a bill or thinks they are being overcharged, it might be because the bill does not provide enough detail or because it is hard to read.

The solution could be as simple as revising billing entries so they provide more information. Unfortunately, sometimes nonpayment means the client simply does not have the financial resources to pay. It is always better to find that out sooner rather than later.

Are Bills Being Sent?

In taking inventory of accounts receivable and work in progress fees, law practices can also review whether their invoices are being sent on a regular basis. Whether fees are being paid can be directly impacted by whether attorneys are getting their bills out with regularity.

Failing to send bills regularly can have direct and practical impact on the attorney-client relationship. If bills are not sent regularly, sending an invoice that encompasses several months of work can come as an unpleasant surprise to a client. A client may even begin to question the work that has already been completed if irregular bills suggest that the representation is unusually expensive. Typically, an effective way to avoid that surprise is to ensure invoicing is timely. Monthly, digestible bills reduce the risk of a fee dispute and increase the chances of prompt payment. Regular invoices also help educate and confirm for clients what tasks are being completed in the matter.

In addition to ensuring good client relations, regular bills avoid the risk that the firm or practice has a substantial amount of fees invested before learning that it has a client problem or an objection to payment. With frequent, regular bills, nonpayment or fee disputes typically involve a much smaller amount than disputes resulting from a single bill covering six months or a year of legal fees and expenses. Issuing bills in regular (and therefore smaller) amounts reduce the risk of a dramatic hit to the bottom line if there is a dispute.

With all that said, one of the most important reasons for monthly or regular billing is to address one of the most common reasons why clients do not pay: they never received an invoice. Systematic billing in regular intervals ensures that crucial step for getting paid by ensuring that bills are sent.

Billing is one way of informing the client of the work being done and the time being spent on their case. By assessing billing issues at mid-year, attorneys can reduce the stress of the year-end collections crunch.

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