Best Practices For Implementing Firm Revenue Cycle Roles

By **Christine Indiano** (December 12, 2024, 3:15 PM EST)

Is your firm leaving money on the table when it comes to billing and revenue processes?

Am Law 100 firms are seeing their lowest realization rates in five years, according to survey data released in April by The American Lawyer, dropping to an average of 80.93% in 2023, compared to 82.2% in 2022.[1]

This doesn't appear to be a fluke, either, as Harbor Global LLC's annual "Billing + Revenue Cycle Survey" of 37 global law firms conducted earlier this year found that, on average, firms write off legal fees amounting to 2.7% of their total revenue.

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At the same time, the revenue cycle is becoming more complex and time-consuming for firms. Harbor's survey also found that the median revenue cycle takes approximately 116 days: five days to enter time, 47 days to bill and 64 days to collect. Attorneys are getting bogged down in administrative tasks related to billing, leading to frustration and diverting time from client work.

As a result, approximately half the law firms Harbor surveyed are adding new roles aimed at streamlining the revenue cycle, curbing the frequency of write-offs and helping boost realization — all while reducing the burden on attorneys.

Here's how firms are structuring these new revenue cycle positions, along with best practices that can set them up for success.

Custom Roles for Unique Problems

Revenue cycle analyst, practice-specific specialist, matter management specialist — regardless of what they're called, these new roles tend to encompass similar goals, ultimately aiming to close the gaps within billing and revenue functions.

Harbor's survey found that approximately two-thirds of firms task revenue cycle positions with coordinating revenue cycle functions, while roughly a third assign them responsibility for prereviewing and making initial edits to pro formas or prebills before they land on a lawyer's desk in order to reduce the lawyer's time investment.

Though not as common, 28% of respondents said they are using these new support staff functions to

track matter budgets and reporting, and 22% give this staff centralized ownership of new matters and client openings.

There's still plenty of room for variety and experimentation, too: Half of respondents wrote in a wide range of tasks not listed on the survey.

Regardless of how the roles are set up, having dedicated staff to manage these billing tasks can improve law firm operations. Rather than editing thousands of pages of prebills and pro formas, attorneys can be deployed more strategically around issues like communicating value in time entries and remedying errors. Bills better align with clients' outside counsel guidelines, improving client satisfaction.

Big picture: The revenue cycle process becomes more efficient with dedicated personnel to keep the process moving.

Such roles typically liaise between attorneys and finance operations, a structure that allows them to ensure things run smoothly. Some firms are opting to assign new revenue cycle personnel to specific practice groups, while others are designated for individual clients or attorneys.

They are often the first to respond to issues or questions from both attorneys and clients, working to establish processes and templates that best meet each group's unique needs.

As firms continue to experiment with new roles, most are opting to start small and pilot these positions and accompanying procedures. On the other hand, some firms are going all in, rolling out new revenue cycle roles firmwide.

Either way, there are key steps every firm should follow to set these new positions up for success.

Best Practices for Implementing New Revenue Cycle Roles

Whether a firm is just considering a new revenue cycle role, about to roll it out or already in the midst of implementation, here are three key best practices to help firms through the process.

1. Identify the most pressing billing needs.

Given the wide array of responsibilities and functions law firms are already assigning to these new positions, those looking to establish their own version of a revenue cycle role first need to determine the most immediate needs the analyst should address.

For example, are there specific partners struggling with time entry and prebill or pro forma reviews? Is there a client that consistently rejects bills for failing to comply with outside counsel guidelines? Is there a practice group that tends to enter time late and write off too much billable work?

The answer will be different for each firm, but starting with a discrete issue can help ensure these roles have a clearly defined scope and measurable goals.

2. Establish precise processes.

Once the most urgent issues are identified, firms should take the time to carve out the new role's responsibilities and how it slots into existing ways of working.

Determining which tasks that revenue cycle support staff will own versus coordinate, for instance, can help prevent scope creep and keep them focused on the tasks at hand.

Additionally, when rolling out this new process, everyone involved — lawyers, nonlegal staff and potentially even clients — should receive clear and ongoing communication about the reason for the change, how their own billing-related responsibilities may shift, and who to contact if they encounter bumps in the road during the transition.

3. Measure progress qualitatively and quantitatively.

As firms carve out these new roles, it's important to get regular feedback from everyone involved in the process to identify inefficiencies or confusion and track improvement.

Do lawyers feel like the time they spend on billing tasks is more strategic because of this extra support? Are clients seeing bills that are better aligned with their outside counsel guidelines, and are firms correspondingly seeing fewer rejections? Do the people in these new roles have the resources they need to do their jobs?

In addition to qualitative feedback, firms should also set key performance indicators from the beginning of the rollout and then track them over time.

Key performance indicators could include revenue cycle timing metrics, such as days to bill or days to collect, or the value of write-offs over time. Another option is to track the time attorneys spend on billing-related tasks every month.

With time, firms might be surprised by how effective revenue cycle analysts can be. When deployed effectively, these roles can reduce the time attorneys spend on billing tasks by potentially days each month.

Conclusion

Of course, these roles are just one tool in a firm's toolbox for improving the billing and revenue cycle. Combining them with other strategies — such as applying advanced analytics to pricing, updating timekeeping policies and strengthening enforcement efforts — only enhance opportunities for firms to improve attorney utilization, realization rates and client satisfaction.

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[1] https://www.law.com/americanlawyer/2024/04/16/big-laws-big-realization/?slreturn=20241009164355.