



Legal billing and
predictive coding —
A fresh way to assess
your legal spend



“The legal technology industry didn’t really come through with its promise of useful real-time analytics on a phase and activity level — even though many electronic invoicing systems were sold on just that promise many years ago. Today, we are left with a tremendous amount of data and only a rudimentary means to analyze it constructively.”

— Director of legal operations of a global life sciences company

Introduction

In recent years, many corporate law departments and law firms have been challenged with the task of reducing the costs of delivering services. Similar to other businesses, in-house and outside counsel have sought to streamline activities and improve efficiencies. In order to do that, counsel needs to be able to assess their past and current billing activities.

Since their introduction about 20 years ago, Uniform Task-Based Management System (UTBMS) codes have brought some clarity to the billing and analytics process, even as the codes have suffered from significant limitations. However, innovations in analytics and predictive coding have introduced new possibilities to traditional UTBMS coding and reporting metrics. With the information that attorneys routinely provide within line-item descriptions in billing invoices, text analytics can be utilized to delve into the informational content of the task descriptions to predict what appropriate codes should be used. This may allow law firms and legal departments to:

- Develop more meaningful metrics at a much lower cost,
- Gain more insight into cost-to-deliver services, which allows for a more strategic use of alternative billing arrangements, and
- Improve partnerships between in-house and outside counsel.

Delving into legal spend management

The UTBMS code set was developed to provide a common basis to organize legal activities on a multi-tier basis, so that firms and their clients could conduct electronic billing and analysis more efficiently and effectively [see sidebar].

When used correctly, UTBMS codes can provide a profile of overall legal spend on a particular matter. Legal spend analysis facilitates effective budgeting by providing a consistent format for the reporting of all matters, allowing for better comparison with prior matters and improved estimates of future similar matters. Standardization of billing helps to increase transparency across different projects and different clients, which can reduce administrative efforts. Legal spend data can be important in making strategic decisions for clients by allowing them to compare costs across law firms, and choose the most cost-effective law firm for different categories of the work. From a law firm perspective, UTBMS codes aid in the billing process, since standardized codes across projects help the client reconcile and understand the services they have received.

Current legal billing systems are often automated in order to provide strategic and analytical reports based on the UTBMS classification of work performed by law firms. Electronic billing makes it possible to get reports directly from the billing submission. Invoices are promptly processed into these systems, bringing with them the corresponding task description and the UTBMS code for each task performed. Reports corresponding to spend in the different phases can then be retrieved from these systems.

Challenges with UTBMS code use

While UTBMS codes and reporting metrics have introduced more clarity, there are still many pieces of useful information that remain elusive. UTBMS codes don't capture the number of depositions, memos, documents or reports written; they provide limited insight about the outcome of the matter, or how favorably the matter was initially viewed and how those expectations may have changed over time; and perhaps more importantly, they say very little about the quality of the legal services provided, only the quantity. As such, reporting by UTBMS codes should be integrated with other important variables in order to assist with making effective management decisions.

UTBMS codes face several other important challenges. They are often difficult to check for accuracy, and they tend to be labor-intensive to apply for attorneys (known

as "timekeepers" in UTBMS parlance). In theory, entering a code to describe an activity is less time consuming than writing a brief description of the activities an attorney was performing. However, the convention in legal invoicing has been to draft a brief description or short paragraph of what activities were performed during a period of time.

This has often led activities to be bundled together in general or incorrect UTBMS categories. Some attorneys delegate code assignments, which may lead to reporting inaccuracies. In some cases, UTBMS codes may not be used at all. Many companies have not enforced the use of these codes in legal invoice submission, and some law firms may not have a consistent standard basis to measure how much it costs for them to deliver services when codes are not in use.

FOR: Project ABC P.O. # [A24]		INVOICE				INVOICE #1220400 DATE: 5/23/2012	
MATTER	DESCRIPTION	TIMEKEEPER	CATEGORY	SERVICE DATE	HOURS	LINE RATE(\$)	AMOUNT(\$)
AA200801070	Review and respond to communications re privilege and discovery issues.	James Skler	Partner	5/23/2012	0.5	565	282.5
AA200801070	Review documents.	John Claire	Associate	4/24/2012	3	290	870
TOTAL							1152.5

THANK YOU FOR YOUR BUSINESS!



Advancements in UTBMS code use

While the UTBMS phase, task and code systems have remained relatively unchanged for years, current technological advances in data analytics may breathe new vigor into this avenue of reporting. This demand is primarily being driven by clients seeking more and better information about services that they are paying for and the availability of useful data to inform management decisions.

Dashboard-based technology is becoming increasingly interactive with the end user, and this should result in a greater understanding as to what has been provided, how it has been provided and by whom.

Perhaps most intriguingly, innovations in text analytics and predictive coding may provide an entirely fresh perspective on the traditional UTBMS reporting environment. Since attorneys generally include a brief description of their activities, this creates an opportunity to utilize text analytics to evaluate the informational content in the descriptions of tasks themselves. This can help predict what the appropriate UTBMS code should be. This type of analysis, in conjunction with codes themselves, is in its infancy. However, teaming technologies and processes could provide significant potential.

With these capabilities, the legal sector could benefit from the ability to more comprehensively evaluate historical or current legal invoices from an activity-based analysis perspective. Such analysis may include both evaluation of the invoices on the basis of UTBMS codes or the integration of other information that reside inside or outside the invoices, such as traditional bill review use and the analysis of activities versus outcomes.

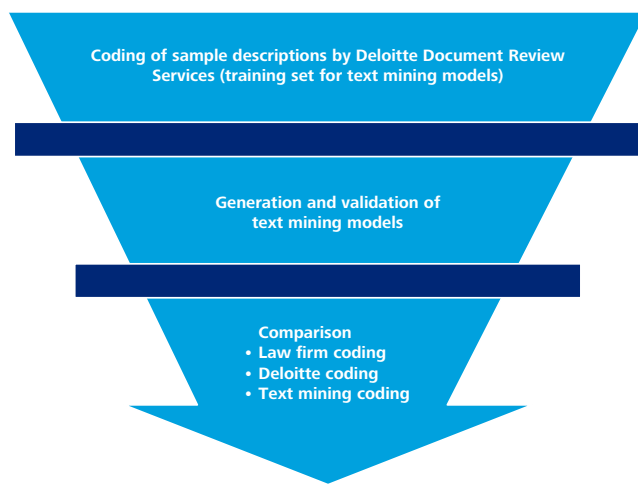
This type of analytics could also reduce the cost of entering UTBMS codes that describe such activities, either by providing real-time guidance to the timekeeper during the data entry, or by providing an intermediate analytic or programmatic step before the invoice is analyzed.

An important process consideration that likely will continue to influence the adoption and use of tools like UTBMS codes will be the degree of discipline and enforcement associated with their use. Generally speaking, the drivers for adoption will most likely come from law departments seeking to better understand and optimize legal spend, and law firms looking to better understand how much it costs to deliver services and how to position services with their clients from both a profitability and customer satisfaction perspective. Other drivers include the trend toward alternative legal billing models, as well as more structured corporate procurement for legal services.

Getting more from your UTBMS codes

Through cutting-edge technology and carefully planned processes, Deloitte can help leverage and further the use of UTBMS codes to provide invaluable insights on legal analytics billing for legal departments and law firms. Deloitte professionals have decades of experience assisting those in the legal sphere with analyzing their legal spend information to improve strategic decision-making and predict and manage costs.

Approach — from baseline to prediction



The services we offer include:

Evaluate current systems and data

We can advise legal professionals with evaluating the current state of their data availability and reporting in their legal invoice management system, including any variations. This provides insights into where the organization is now, and where it wants to be.

Analyze information and frameworks

Our professionals can review existing invoices and inventory electronic invoicing capabilities, then help develop a framework for standard reports and analyses of activity-based legal spend. We work with clients to develop reports and analyses as well as establish baselines for predictive coding of activities. While invoice data may vary, we can help process it in a consistent, standardized manner.

Identify next steps

After evaluation and analysis, we can also help identify next steps, including determining where deeper analysis may be valuable, developing custom reports and creating recommendations to manage data going forward.

We can also advise on where gathering other useful information relevant to the outside counsel management process can supplement the activity data. Such data may include outcomes of matters, other qualitative factors and other considerations.

We also assist clients with developing an approach to leverage predictive analytics in anticipating trial dismissals versus tried cases in order to manage legal spend amount relative to expected outcome.

We can also help identify other opportunities for automation and analysis, such as supporting the claims administration process with efficient database technologies.

Expand applications beyond legal

As many organizations grapple with exploding amounts of data, we can apply this type of analysis to other business purposes, such as health care claims information.

History and usage of UTBMS codes

The need for a standard set of classification codes came about the mid-1990s, when major US law departments and insurers needed to better understand the services provided by outside counsel without having to decipher the multiple paragraphs or pages written by a timekeeper describing the services performed.

The UTBMS Code Set was developed by a joint group, then known as the UTBMS Task Force. This group was comprised of the American Bar Association (ABA), the American Corporate Counsel Association and a group of corporations and law firms coordinated by PricewaterhouseCoopers. The joint group determined that electronic invoice time entries should be split into various tasks which could then be aggregated by the type of work performed. This method resulted in multiple time entries for services performed in a single day on a matter. The project to create a coding system, along with efforts to create a standard billing format, resulted in the UTBMS code set.

Today, there are four distinct UTBMS code sets: the litigation code set, the bankruptcy code set, the project code set and the counseling code set. These code sets are differentiated by the prefix of their codes ("L" for litigation, "C" for counseling, "P" for project and "B" for bankruptcy).

The UTBMS code set is divided into two main categories of codes: the time entry codes and the expense entry codes. The time entry category of the code set contains codes for activities and tasks which have a time component associated with them. The expense entry codes classify the expenses submitted by the law firms on their invoices.

Those who deal with UTBMS codes should remember that the code sets are not the only set of standardized codes used in the legal industry, and many platforms allow for customized codes on an as-needed basis. UTBMS is a generally accepted standard, however, referenced by many electronic invoicing platforms.

Conclusions

In today's legal and business environment, many law firms and legal departments continue to grapple with controlling costs and developing informed long-term strategic decision-making. Current technology advances are providing opportunities to better measure, manage and optimize legal spend, even while leveraging conventional management tools. In particular, advancements in text analytics and dashboard reporting can facilitate better information use when coupled with management discipline to get the right data. These advancements are expected to enhance management activities for both corporate law departments and law firms, and potentially allow the promise of activity-based management for legal activities to become better realized.

Contact

John "Jack" Walker

Principal | Deloitte Advisory

Deloitte Discovery

Deloitte Transactions and Business Analytics LLP

johnwalker@deloitte.com

+1 312 486 3149



As used in this document, "Deloitte" means Deloitte & Touche LLP, which provides audit and enterprise risk services; Deloitte Financial Advisory Services LLP, which provides forensic, dispute, and other consulting services; and its affiliate, Deloitte Transactions and Business Analytics LLP, which provides a wide range of advisory and analytics services. Deloitte Transactions and Business Analytics LLP is not a certified public accounting firm. These entities are separate subsidiaries of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.