

# LAWYERS JOURNAL

## LAW PRACTICE MANAGEMENT

### An easier method to reduce your unpaid bills

By Keith Cameron



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#### The Omnipresent Unpaid Bill

Annually, many firms’ unpaid client bills accumulate to the point that their Executive Committee calls for an all-out, concentrated effort to collect those bills. When this happens, wouldn’t you rather be doing something other than contacting all your clients with overdue bills? Having been in the middle of assisting many such efforts over the years, I think most attorneys would prefer to forego the angst of a “bills blitz.” In this article, I will describe a different, simpler method, which firms have adopted to better match their personality.

Every law firm Executive Committee wishes its client bills were all paid within 45 days and at the full amount, but I know of no firm where that occurs. That said, there are always unpaid bills. “Unpaid bills” for this article refers to bills which have not been fully paid within 45 days after the bill is sent to the client. For most firms, about 10-15% of their clients regularly and promptly pay their bills within a month and without questions. Also, a large percentage of firms’ bills (up to 50%) will be a small dollar amount (less than \$1,000) and not worth the collection effort other than to send reminder statements. Of the remaining 35% of firms’ bills (unpaid bills) most will eventually be paid in whole or in part, but months, or years, after the legal work was completed, and some will never be paid.

Unpaid bills accumulate quickly if not regularly addressed; they are always there, but you can significantly reduce them by taking strategic actions to collect. This is true no matter the tactic: Contact by the billing attorney, contact by staff, reminder statements, etc. The most effective method for collecting your unpaid bills is to employ a full- or part-time staff person dedicated to that task. Unfortunately, for many firms that is not a viable option. There is an effective alternative, however, which some firms have embraced.

#### Slow and Steady Wins the Race

Firms have used the following method to reduce their unpaid bills gradually but consistently:

Accounts Receivable - Spotlight Report									
Last updated: 2/14/22									
ACCOUNTS RECEIVABLE									
Client (Client Number)	Billing Attorney	Total	1-60 days	2-6 months	6 months to 1 year	Older than 1 year	Change Since Previous Report	Explanation and Next Steps	Conclusion
XYZ (7890)	RRR	\$ 45,800	\$ -	\$ 10,000	\$ 35,800	\$ -	Write-down of \$5,000		
ABC (1234)	BBB	\$ 37,400	\$ 5,000	\$ 20,000	\$ 10,000	\$ 2,400	Receipts of \$9,500		
Total		\$ 83,200	\$ 5,000	\$ 30,000	\$ 45,800	\$ 2,400			

NOTE: Possible conclusions = Payment; Write-off; Future payment date; No collection likely in next 6 months; or some combination.

REMOVED FROM LAST WEEK'S LIST:

- Add the collection of unpaid bills as a standing agenda item to your regular Executive Committee meetings: Accounts Receivable – Spotlight Report (or similar title you prefer). Refer to the sample report form above.

- Select 2-3 clients that have a large amount of unpaid bills (at least \$10,000), at least a portion of which is over 45 days old.

- Include the key information on each client as displayed in the sample report.

- Have a committee member follow up with each billing attorney whose clients are listed to get information on the status of the unpaid bill, including why it is unpaid and the next steps to collect. Have someone revise the report with the updated information prior to the meeting.

- Present the report at every committee meeting and discuss (for approximately 10-15 minutes) each listed client’s collection-related status and the planned next steps for reaching a conclusion (see bottom of the sample report for possible conclusions). Remember to mention the positive developments, not just the issues. Keep the client on the list until one of the conclusions has been decided. Push for conclusions – no client should be on the list longer than three weeks.

- When a client is removed, add another so there are always two to three on the list.

- Monitor to ensure the billing attorneys and their clients comply with their commitments to resolve the unpaid bills.

That’s the whole process! A few related observations and suggestions follow:

1. There are two keys to the effectiveness of this method: a) the focus is on only a small number of clients at any one time, and you have all the information you need to progress with each situation. With only one client, it’s easier to get a billing attorney to commit to remedial steps and then to hold that attorney accountable for follow through; and b) you are continually reducing the unpaid bills.

2. Most accounting systems have a standard report for listing the Aged Accounts Receivable by client, which can help you identify candidates for your Spotlight Report.

3. Don't list clients which have uncollectible bills, such as those which have been unpaid longer than a year. You may want to deal with such complicated situations differently.

4. The discussion should move quickly because there are only two to three clients. Adding this agenda item should not interfere negatively with other committee matters or take over the meeting.

5. The accountability which accompanies this process may inspire some billing attorneys to resolve their unpaid bills to avoid being on the "Spotlight Report."

6. Remember that gradual and steady progress with unpaid bills is superior to no progress.

## **Conclusion**

This simple method to collect more of your unpaid bills, and to collect sooner, has been effective for some firms which previously followed no systematic collection process. Compare it to your current collection process to see if it could benefit your firm. If you use the method, maintain a list of the resulting collections and write-downs. Twice a year, compare whether your 15 minutes a week of meeting time is producing satisfactory results. ■