

AI-Assisted Legal Services — Pricing Guide

How to price legal work when AI saves your associates 50% of drafting time. Three pricing models, four ABA Rule 1.5 considerations, and a one-page client conversation script.

From HitLai Institute — Module L3: “Making AI Billable”

THE PRICING PROBLEM AI CREATES

Before AI: associate spends 8 hours drafting a master services agreement. Bill 8 hours at \$400/hr = \$3,200.

With AI assistance: associate spends 2 hours drafting + reviewing the same MSA. The work product is the same quality (or better, with proper supervision). What do you bill?

Three options: 1. **Bill 8 hours.** This is a Model Rule 1.5 violation. Fees must be reasonable; you cannot bill for time you didn't spend. 2. **Bill 2 hours.** Revenue per matter drops 75%. Your associate's billable time recovers 6 hours, but you've effectively cut your transactional revenue. Many firms can't survive this transition. 3. **Restructure the engagement.** Move from time-based to value-based pricing where the saving is shared with the client. This is the path most firms find sustainable.

This guide is a starting point for option 3. Adapt to your jurisdiction, practice areas, and client base under the supervision of your firm's general counsel.

ABA RULE 1.5 — THE FOUR CONSIDERATIONS

Whatever model you choose, ABA Rule 1.5 (and your state's equivalent) requires fees to be reasonable. The factors include:

1. **Time and labor required, novelty and difficulty.** AI doesn't change novelty or difficulty for substantive matters; it changes time. Your fee structure should reflect this honestly.
2. **Likelihood that acceptance will preclude other employment.** Unchanged by AI.
3. **Customary fee.** Customary is moving. The 2026-2028 transition is when “customary” updates to reflect AI-assisted billing norms — be a leader, not a laggard.
4. **Experience, reputation, ability of the lawyer.** AI doesn't change this either. Your judgment is what clients pay for; the drafting is the byproduct.

The honest framing: clients pay you for **judgment, not for keystrokes**. AI changes the keystroke cost but not the judgment value. Your pricing should track that distinction.

THREE PRICING MODELS

MODEL A — REDUCED HOURLY (transition-friendly)

Bill the actual hours spent. Make the AI savings visible to the client.

How it works: - Time entries reflect actual time, including AI-assisted hours. - Engagement letter discloses that AI assistance reduces hours and that fees reflect the reduction. - Client sees lower bills than they expected, attributes savings to your firm's efficiency.

Pros: - Cleanest under Rule 1.5 — you bill what you spent. - Easiest transition for billing infrastructure. - Builds trust with clients who care about transparency.

Cons: - Revenue per matter drops in proportion to AI savings. - Doesn't capture value AI creates — only reflects time savings. - Requires associates to track time honestly even when AI accelerated them.

When to use: Standard hourly engagements with sophisticated clients who already track and audit fees. Litigation where hourly remains dominant.

MODEL B — VALUE-BASED FLAT FEE (revenue-protective)

Set a flat fee for a defined scope of work — based on the value to the client, not the hours required to produce it.

How it works: - Engagement specifies the deliverable (e.g., "M&A on a transaction up to \$X"). - Flat fee is set based on market value for that deliverable, not hours-to-produce. - AI savings stay with the firm (some) and the client (some, in the form of competitive flat-fee pricing).

Pros: - Captures the value AI creates, not just time. - Predictable for the client. - Aligns firm incentive with efficiency rather than billable hours.

Cons: - Requires firm-wide flat-fee discipline and scope-creep management. - Risk of underpricing on complex matters; risk of being undercut by competitors using more aggressive AI. - Some clients (especially insurance defense, GC-managed panels) won't accept flat fees for everything.

When to use: Transactional work with well-defined scope (NDAs, employment agreements, basic M&A, standard licensing). Repeat clients with predictable matter types.

MODEL C — SUBSCRIPTION / RETAINER (relationship-based)

Monthly retainer covers a defined volume of legal work, including AI-assisted matters.

How it works: - Client pays \$X/month for "general counsel services up to Y hours of attorney time + AI-assisted volume." Anything above the cap is billed. - Firm absorbs AI savings as efficiency margin within the retainer. - Client gets predictable cost; firm gets predictable revenue and stronger client relationships.

Pros: - Highest revenue stability for the firm. - Strongest client lock-in — clients see you as their permanent legal team, not transactional. - AI savings increase firm margin within the retainer.

Cons: - Hardest to set the right monthly number — get it wrong, you lose money. - Requires sophisticated time tracking even though billing is fixed. - Not appropriate for all practice types (litigation rarely fits a retainer model).

When to use: Outside General Counsel relationships with growth-stage and mid-market companies. SMB clients who want predictable legal cost. Practices with high-volume routine work (employment, contracts, regulatory).

HYBRID — THE MOST COMMON 2026 PATTERN

Most firms running AI-assisted work successfully use a mix:

- **Model A** for litigation and unpredictable matters
- **Model B** for transactional work with defined scope
- **Model C** for ongoing client relationships

The right blend depends on your practice mix. The wrong move is staying 100% Model A indefinitely — that locks the firm into the revenue-decline trap as AI efficiency compounds.

THE CLIENT CONVERSATION SCRIPT

When a sophisticated client asks “are you using AI on my matter?” — here’s the conversation that ends in trust, not concern.

“Yes, we use AI tools to assist with drafting starters, document review, and legal research. Three things to know about how we do it:

First, our supervision protocol: every external deliverable on your matter is reviewed and verified by a licensed attorney before it leaves our firm. AI helps us draft and research faster; it doesn’t replace legal judgment.

Second, your privilege: privileged material on your matter is processed only on AI infrastructure that keeps your data inside our firm’s network. We don’t send your data to public AI services.

Third, your fees: you’re paying for our judgment, not our keystrokes. AI lets us deliver the same quality work in less time, and your bills reflect the actual work — not the time it would have taken five years ago. If you’d prefer we run your matter without AI assistance, we can — and we’ll be transparent about how that affects timeline and cost.

What questions do you have?”

This script works because it’s honest about what AI does, transparent about how privilege is protected, and clear about how billing reflects reality. Sophisticated clients respond well to this. The firms that ALL their clients trust are the firms saying it.

WHAT TO AVOID

✗ **Hiding AI use.** Discovery from disclosed billing records, opposing-counsel inquiries, and panel-RFP requests will surface AI use eventually. Better to lead with disclosure.

✗ **Billing 100% of pre-AI hours when AI did 50% of the work.** This is the Model Rule 1.5 violation that ends careers and gets firms front-page coverage in the legal press.

✗ **Cutting fees more than the actual time saved.** Don’t undersell. Clients should see *some* savings; the firm should also see *some* gain. The split is a strategic call, not a giveaway.

✗ Switching pricing models mid-matter without disclosure. If you're moving a client from Model A to Model B, do it at a natural transition point with a written engagement update.

✗ Promising AI-driven savings before you've measured them. Run AI on your work for 90 days, measure actual savings on actual matters, THEN restructure pricing. Premature flat-fee commitments based on theoretical AI savings are how firms lose money.

THE PANEL/RFP ANGLE

Sophisticated clients (especially Fortune 500 GCs) are increasingly building AI-pricing expectations into RFPs:

- “Describe your firm’s approach to AI-assisted billing.”
- “What savings can your firm pass through to us from AI efficiency?”
- “How do you ensure billing accurately reflects AI-assisted work?”

Firms with a documented AI pricing model — Model A, B, C, or hybrid — answer these questions clearly and win panel placements. Firms that say “we’ll figure it out” lose them.

This is the 2026-2028 advantage window. Firms that move now will set “customary” for the next decade.

WHAT GOOD LOOKS LIKE AT 18 MONTHS

A firm 18 months into AI-assisted billing:

- Has a documented mix of Model A, B, C across its practice
- Tracks AI-assisted hours separately for billing-rate analysis
- Discloses AI use in engagement letters
- Wins panel placements that competitors lose
- Has measurably higher revenue per associate (because associates do more work, not because they bill more hours)
- Has measurably better client satisfaction on transparency surveys

This is achievable in 12-18 months from a standing start. The firms that hesitate get out-priced by the firms that don't.

THE HITLAI / AICTRLNET ANSWER, IN ONE LINE

AI tools, your team, your systems — running together, safely.

For a law firm: AI assists associates and paralegals. Partners supervise. Time entries reflect actual work. Billing reflects actual time. Your billing system, your DMS, and your engagement-letter templates all coordinate around an honest, defensible AI-assisted pricing model. Each part of your practice moves at its own pace.

Want help building a defensible AI pricing model for your firm's specific practice mix? That's Module L3 — the 60-minute partner-meeting-ready strategy session. → hitlai.net/institute

This guide is not legal advice or accounting advice. Pricing decisions must be made under the supervision of your firm's general counsel and management committee, with reference to your jurisdiction's Rule 1.5 equivalent.

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