Hospice accounts

Analysis of the accounts of UK charitable hospices for year ended 31 March 2015

Supported by haysmacinlyre chartered accountants & tax advisers
Contents

Introduction ........................................... 1
Definitions and scope of report .......... 2
Overall summary ................................. 4
Hospice sizes 2015 ............................... 6
Income ............................................. 7
Government funding ......................... 9
England ........................................... 11
Wales ............................................. 12
Northern Ireland ............................... 13
Scotland ......................................... 14
Children’s hospices – all nations ...... 15
Expenditure ....................................... 16
Cost of generating funds ................. 17
Shops ............................................. 18
Lotteries .......................................... 19
Staff costs ....................................... 20
Free reserves ................................... 21
Deficits and falling reserves .......... 24
Cash ............................................... 25
Return on investments .................... 27
Audit fees ........................................ 29

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Introduction

haysmacintyre is pleased to partner with Hospice UK in producing the 2016 ‘Hospice accounts’ report. This year’s report includes, for the first time, income and expenditure figures for local hospices run by the two national charities, Marie Curie and Sue Ryder, as well as the accounts of 194 independent charitable hospices in the UK.

The analysis we have carried out this year demonstrates the size and growth of the hospice movement in the UK. The charitable hospice sector now has income of over £1.3 billion per year, of which 74 per cent comes from local community fundraising, donations, legacies, corporate supporters and trading activities.

Government funding in England, Northern Ireland, Scotland and Wales is delivered in different ways and at significantly different levels. Government funding for hospices tends to be highest in Scotland and lowest in Wales, and this has been the case for many years.

There is also a significant difference in government funding levels for adults’ and children’s hospices. The government funded 33 per cent of the expenditure incurred by adults’ hospices in the UK, and 17 per cent of the expenditure incurred by children’s hospices. Expenditure on shops and lotteries has been excluded from these calculations. This means that the vast majority of hospice costs are paid for by fundraising in the local community.

Hospices provide vital care for people with a wide range of conditions including cancer, motor neurone disease, cardio-vascular diseases, multiple sclerosis and Parkinson’s disease, as well as people with life-limiting conditions such as dementia. They also support family members, especially in providing bereavement support. It is estimated that around 360,000 people are supported each year by charitable hospices in the UK.

Over the years, the findings from the ‘Hospice accounts’ report have been quoted in Parliament, the media and numerous publications and presentations. We hope that you find it useful, both to inform debate and to help local hospice staff and trustee boards to benchmark their own figures against similar organisations.

Anna Bennett
Charities Partner
haysmacintyre
020 7969 5500
abennett@haysmacintyre.com

haysmacintyre is a top 30 accountancy firm. Our award winning charities team is one of the largest in the country and we are one of the top five advisers to the top 5,000 charities. We support and advise many local hospices and we have wide experience of their businesses and the risks and challenges that they face. We are proud to have been rated in the top five firms for ‘charity expertise’ in the Charity Finance audit survey.
Definitions and scope of report

This report brings together the accounts of charitable hospices in the UK. These hospices are primarily local charities that are governed by voluntary trustees.

The purpose of the report is to:

• demonstrate the size and operation of hospice care in the UK
• identify and highlight changes over time in the overall operation of these hospices
• identify differences between the various sizes of hospice
• provide hospices with critical figures and benchmarks against which to compare their own accounts.

Scope

This report is based upon the audited accounts of 196 charitable hospices for the financial year ending any time between 1 April 2014 and 31 March 2015. For the majority of hospices, this means the accounts for the year ended 31 March 2015. We have therefore kept the income and expenditure categories and terminology from the previous charity Statement of Recommended Practice (SORP). This will be updated in next year’s report.

Figure 1 on page 4 includes the income and expenditure of two large national charities – Marie Curie and Sue Ryder. Because these two charities are very different in scale to the other charities, their results have been excluded from all the other tables. When a chart in the report refers to independent hospices, this means the results of Marie Curie and Sue Ryder are excluded from those figures.

Preparation

The figures are drawn from the Statement of Financial Activities (SOFA), Balance Sheet and Notes, included in published, audited financial statements. As far as possible, we have taken information at face value, but we have had to interpret data in some cases where clear information was not given. Where data was not provided in published accounts, we have had to omit it from our calculations.

There are changes in the number of hospices submitting accounts each year; where appropriate, figures from previous years have been amended to ensure like for like comparisons.

Children’s and joint services

In some analysis, we have split the figures for children’s and adults’ hospices. This has been done where there are significantly different results in the accounts of children’s hospices.

In total, there are 25 stand-alone children’s hospices included in this report. There are also 13 joint hospices, serving both adults and children. It has not been possible to split the accounts of the joint hospices into their two components, so they have been included as adults’ hospices, as this part of their services accounts for a majority of their income and expenditure. Such hospices are treated as a single entity for the purpose of this report, as are hospices that are run by one charity but based in more than one location.
Definitions used in this report

• In the published accounts of a hospice, trading income and expenditure are respectively included in gross income and gross expenditure. In some figures in this report, we have excluded trading income and expenditure from both these figures and included trading profit within gross income. Whether trading income and expenditure has been included in the analysis is stated above each relevant figure. This makes no difference to the surplus or deficit, but serves to make for better comparisons. Income includes money raised for capital projects, but expenditure excludes capital payments such as building costs.

• Charitable income is total income less investment and government income. It also includes money given for capital projects.

• Unrestricted reserves include designated funds.

• Free reserves is taken to mean unrestricted reserves less unrestricted tangible fixed assets.

• Tangible assets are made up of the cost price of the building and equipment less depreciation.

• Investment gains/losses include both realised and unrealised changes in the value of investments.

• Other gains/losses represent gains and losses on defined benefit pensions schemes and the revaluation of properties.

Lists of financial results by hospice

We have used the information gathered for this report to prepare listings of the performance of individual hospices on a number of key measures.

These lists are available to members from the Hospice UK website.
## Overall summary

**Figure 1 – Key figures (including activities of national charities relating to hospice care)**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Charitable income including income from shops, lotteries and trading</strong></td>
<td>£993</td>
<td>£950</td>
<td>£869</td>
<td>£806</td>
</tr>
<tr>
<td><strong>Statutory income</strong></td>
<td>£327</td>
<td>£345</td>
<td>£310</td>
<td>£295</td>
</tr>
<tr>
<td><strong>Investment income</strong></td>
<td>£21</td>
<td>£22</td>
<td>£23</td>
<td>£22</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>£1,341</td>
<td>£1,317</td>
<td>£1,202</td>
<td>£1,123</td>
</tr>
<tr>
<td><strong>Charity expenditure</strong></td>
<td>£868</td>
<td>£831</td>
<td>£779</td>
<td>£743</td>
</tr>
<tr>
<td><strong>Fundraising expenditure including cost of shops, lotteries and trading</strong></td>
<td>£432</td>
<td>£403</td>
<td>£361</td>
<td>£328</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>£12</td>
<td>£12</td>
<td>£11</td>
<td>£11</td>
</tr>
<tr>
<td><strong>Total expenditure including retail</strong></td>
<td>£1,312</td>
<td>£1,246</td>
<td>£1,151</td>
<td>£1,082</td>
</tr>
<tr>
<td><strong>Surplus/(deficit)</strong></td>
<td>£29</td>
<td>£71</td>
<td>£51</td>
<td>£41</td>
</tr>
<tr>
<td><strong>Total investment and other movement</strong></td>
<td>£37</td>
<td>£26</td>
<td>£52</td>
<td>£9</td>
</tr>
<tr>
<td><strong>Total movement in funds</strong></td>
<td>£66</td>
<td>£97</td>
<td>£103</td>
<td>£33</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total income less shops and lottery expenditure</strong></td>
<td>£1,077</td>
<td>£1,076</td>
<td>£987</td>
<td>£929</td>
</tr>
<tr>
<td><strong>Total expenditure excluding shops and lottery expenditure</strong></td>
<td>£1,043</td>
<td>£998</td>
<td>£929</td>
<td>£883</td>
</tr>
</tbody>
</table>
Figure 1 shows the total size of the charitable hospice movement in the UK, including the amounts relating to hospice care from two national charities - Marie Curie and Sue Ryder. The figures would be even greater if the value of the substantial role of unpaid volunteers was included.

Total income for independent charitable hospices has increased by two per cent compared to the previous year. Most of this growth is a result of an increase in charitable income, which grew by five per cent compared to the prior year, and totals nearly £1 billion. In 2014, there was a peak in government funding in England due to a capital programme sponsored by NHS England.

Expenditure has grown by five per cent compared to the previous year and now stands at £1.3 billion, of which £868 million is spent on charitable activities (ie care).

Removing trading activities from the figures to focus on the core activities of the hospice, total income is £1.07 billion, while total expenditure rose by five per cent to £1.04 billion.

In 2015, the hospice sector overall generated a surplus on core activities of £29 million. These surpluses allow hospices to expand their services and fund new buildings (such investments would be shown as capital spend and therefore are not included in the expenditure figures above).
Hospice sizes 2015

Throughout this report, hospices are grouped by size of expenditure. Different-sized hospices have different trends so it often proves more useful to compare hospices of the same size, rather than those in the same region or similar locations. The bandings are based on 2015 total expenditure, which means that some hospices will have moved between bands since the last report.

**Figure 2 – Comparison between the number of hospices in each expenditure band and the value of expenditure (including shops, lotteries and other trading expenditure)**

<table>
<thead>
<tr>
<th>Expenditure Band</th>
<th>% of Total Number of UK Hospices</th>
<th>% of Total Hospice Sector Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under £2M</td>
<td>23%</td>
<td>4%</td>
</tr>
<tr>
<td>Over £2M, Under £5M</td>
<td>25%</td>
<td>32%</td>
</tr>
<tr>
<td>Over £5M, Under £8M</td>
<td>30%</td>
<td>21%</td>
</tr>
<tr>
<td>Over £8M</td>
<td>20%</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Key findings**

- Average total expenditure (including trading expenditure) per hospice in each size band is shown above.
- The size of hospices varies throughout the UK, from St Christopher’s Hospice with £19 million expenditure, to those hospices with an annual expenditure under £1 million. Our smallest hospice has annual expenditure of just over £200k.
Income

Total income in 2015 for independent hospices, excluding expenditure on trading activities, was £887 million.

Figure 3 – Income type as a percentage of total income 2015 (Comparison of adults’ and children’s hospices)

Key findings

- Children’s hospices are funded very differently from adults’ hospices, with far greater reliance on donations and local fundraising and less government funding.

- Government funding as a percentage of total income for children’s hospices is much lower than for adults’ hospices at 15 per cent on average compared to 30 per cent for adults.

- Historically children’s hospices received much less funding than adults’ hospices from legacies, but for the first time in 2015 children’s hospices received a greater proportion of their income from legacies than adults’ hospices.

- Adults’ hospices appear to have more developed and profitable trading operations than children’s hospices.
The graph below shows the difference in types of funding for adults’ hospices of different sizes, including profits from trading activities.

**Figure 4 – Income type as a percentage of total income (comparison by size of adults’ hospices)**

**Key findings**

- There appears to be a clear trend whereby the larger the hospice, the greater proportion of its income comes from statutory sources.

- In contrast, donations from the public are a far more significant source of income for the smallest hospices. This indicates that smaller hospices are most vulnerable to any changes in charitable giving by the public, and larger hospices are more vulnerable to any changes in patterns of statutory funding.

- Overall government income is stable as a percentage of total income, although this is not true for each individual hospice. The position is made more unstable by the renegotiation of government income year on year.

- Hospices are exploring a range of new income generating activities, diversifying to include catering, care services, education and training and other trading.
Hospices in different nations are funded differently, as are hospices for children and hospices for adults.

In analysing government funding, we have split hospices by nation as well as into adults’ and children’s hospices. We have excluded the cost of trading activities from expenditure.

Figure 5 – Government funding as a percentage of expenditure (comparison by year and nation)
The graph below shows government funding as a percentage of expenditure for all independent adults’ hospices, with each line representing a different hospice. Expenditure on shops and lotteries is excluded from the calculations.

**Figure 6 – Government funding as a percentage of expenditure (independent adults’ hospices)**

**Key findings**

- In total, the government funded 33 per cent of the expenditure incurred by adults’ hospices in the UK, although the amount received by each hospice varies significantly.

- Several hospices receive less than 20 per cent funding from government while at the other extreme 15 received more than 50 per cent funding.

- There is no obvious cluster of results around the average, showing the inequitable funding for hospices throughout the country.
Government funding – England

Key findings

- In total, the government funded 33 per cent of the expenditure incurred by adults’ hospices in England.

- In 2014, there was a peak in funding due to a capital programme sponsored by NHS England. Outside of this, the proportion of expenditure funded by the government has been consistent over the past few years at around one-third of expenditure.

- However, there is great divergence in the proportion of funding received by different hospices. Larger hospices tend to receive proportionally more government funding than smaller hospices (on average 33 per cent compared to 21 per cent in 2015).
**Government funding – Wales**

The graph below shows government funding as a percentage of expenditure (excluding trading activities) for adults’ hospices in Wales, with each line representing a different hospice.

**Figure 8 – Statutory funding as a percentage of expenditure in Wales (comparison by size of adults’ hospices)**

![Graph showing government funding as a percentage of expenditure in Wales](image)

**Key findings**

- In total, the government funded 24 per cent of the expenditure incurred by adults’ hospices in Wales.
- There is significant variation between the funding levels of different hospices, from 15 per cent up to 33 per cent, although no hospice in Wales received more than one third of their funding from the government in 2015.
- Overall, hospices in Wales receive less government funding as a proportion of expenditure than those in England and Scotland.
Government funding – Northern Ireland

The graph below shows government funding as a percentage of expenditure (excluding trading activities) for adults’ hospices in Northern Ireland, with each line representing a different hospice.

Figure 9 – Statutory funding as a percentage of expenditure in Northern Ireland (comparison by size of adults’ hospices)

Key findings

• In total, the government funded 31 per cent of the expenditure incurred by adults’ hospices in Northern Ireland.

• However, there are only three independent, charitable adults’ hospices in Northern Ireland, and as can be seen from the above graph, there are significant variations in funding between them.
**Key findings**

- In total, the government funded 40 per cent of the expenditure incurred by adults’ hospices in Scotland.

- Government funding for hospices in Scotland is typically higher than in other parts of the UK.
**Government funding – children’s hospices (all nations)**

The graph below shows government funding as a percentage of expenditure (excluding trading activities) for UK children’s hospices, with each line representing a different hospice.

**Figure 11 – Statutory funding as a percentage of expenditure (children’s hospices)**

**Key findings**

- Most children’s hospices are located in England, and on average, government funding in 2015 was 17 per cent of expenditure.

- The variation between hospices is similar to that of adults, ranging from virtually nothing to over 30 per cent.

- Children’s hospices receive significantly less funding as a proportion of their total expenditure than adults’ hospices.
Key findings

- Hospices spend more than two-thirds of their total expenditure on charitable activities.

- Larger hospices invest proportionally more in trading activities, while smaller hospices rely on other fundraising methods.

- Governance and compliance costs proportionally more for smaller hospices, although there is variation between hospices in the type of costs included in this category.
Cost of generating funds

The graph below shows the fundraising ratio of hospices. This is calculated by dividing expenditure on fundraising by charitable income raised. Income and costs relating to shops and lotteries are excluded from the calculation.

Figure 13 – Fundraising and publicity costs as a percentage of total charitable income excluding shops and lotteries (for all independent hospices)

Key findings

- On average, adults’ hospices had a fundraising ratio of 23 per cent. In other words, every pound spent on fundraising and publicity generates over four pounds of income.
- The fundraising ratio of small hospices is higher than larger hospices, which indicates some economies of scale.
We have used information available in the hospices’ published, consolidated accounts to analyse the profitability of shop activities. In some cases, hospices have not separately disclosed their expenditure on shops in their accounts – in such cases their results have been excluded from the graph below.

We have calculated profitability as profit divided by income.

**Figure 14 – Shop profits as a percentage of shop income (independent UK hospices)**

**Key findings**

- The average profitability in 2015 was 28 per cent, down two per cent on the previous year, which continues a pattern of falling shop profits year-on-year.
- Hospices derive on average 10 per cent of their income from shop profits. Total profits reported by hospice shops were £55 million. In contrast, 12 hospices reported a loss on their shops in 2015.
Lotteries

We have used information available in the hospices’ published, consolidated accounts to analyse the profitability of lottery activities. In some cases, hospices have not separately disclosed their expenditure on lotteries in their accounts – in such cases their results have been excluded from the graph below.

We have calculated profitability as profit divided by income.

Figure 15 – Lottery profit as a percentage of lottery income (independent UK hospices)

Key findings

• The average profitability of a hospice lottery was 51 per cent, and the average profit per hospice is £306k. There is a greater consistency in profitability among lotteries than shops.

• Two hospices made a profit of over £1 million on their lottery activities.

• The total reported lottery income was £62.4 million in 2015. Given an average contribution of one pound per person per week, this suggests that over one million people are playing hospice lotteries in the UK each week.
Staff costs

In common with many charities, staff costs make up a majority of the expenditure within hospices. The graph below shows staff costs (including salaries, national insurance and pensions) as a percentage of total expenditure (including shops and lotteries).

**Figure 16 – Staff costs as a proportion of total expenditure (independent UK hospices)**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Under £2M</strong></td>
<td>61%</td>
<td>63%</td>
<td>64%</td>
<td>64%</td>
</tr>
<tr>
<td><strong>Over £2M, Under £5M</strong></td>
<td>67%</td>
<td>65%</td>
<td>68%</td>
<td>67%</td>
</tr>
<tr>
<td><strong>Over £5M, Under £8M</strong></td>
<td>68%</td>
<td>68%</td>
<td>69%</td>
<td>68%</td>
</tr>
<tr>
<td><strong>Over £8M</strong></td>
<td>69%</td>
<td>67%</td>
<td>67%</td>
<td>67%</td>
</tr>
</tbody>
</table>

**Key findings**

- Staff costs represent 66 per cent of a hospice’s total expenditure, on average.

- Staff costs constitute a lower percentage of the expenditure of smaller hospices than larger hospices.

- The value of volunteer time is not shown in the financial statements and therefore is also excluded from these figures. Volunteer time is a major contribution to the activities of hospices.
Free reserves

Free reserves are defined in this report as unrestricted reserves, including designated funds and less unrestricted tangible fixed assets. Free reserves are held by hospices for a number of reasons:

- Hospices rely on voluntary donation for on average two-thirds of their income, and have to renegotiate their NHS funding every year. Hospices must hold sufficient free reserves to enable the hospice to continue to provide its essential services if income levels were to fall.
- To fund future capital projects, such as building or refurbishment work.
- To contribute to general expenditure in times of growth or change, respond quickly to new demands and take on innovative projects.

It is the responsibility of the trustees to balance the above considerations and determine how much a charity should hold in reserves. In the graphs below, the value of free reserves is compared to each hospice’s annual total expenditure (including trading activities).

Figure 17 – Free reserves as months of expenditure (independent adults’ hospices)
Key findings

- Adults’ hospices hold the equivalent of 10 months of expenditure in free reserve, on average.

- The range is wide, with a quarter of hospices holding less than six months of expenditure in free reserves.

- There are nine adults’ hospices with negative free reserves, which means that they are using the value of their fixed assets to enable them to remain solvent. Two of these hospices have significant levels of negative reserves.

- At the other end of the scale, 12 hospices have free reserves of more than two years’ expenditure. It may be that these hospices are saving funds for a new building or other major capital project.
Key findings

- On average, children’s hospices hold free reserves representing 15 months’ expenditure. This is higher than adults’ hospices, which may reflect the differences in sources of funding noted in Figure 3 – Income type as a percentage of total income.

- Once again, there is a significant variation in reserves, with one hospice holding negative reserves and four holding more than two years’ reserves.

Figure 19 – Free reserves as months of expenditure (children’s hospices)
Deficits and falling reserves

The graphs below show details of hospices that experienced surpluses or deficits during the year (including trading activities). Deficits can be defined either before or after taking into account changes in the value of investment. Deficits may be budgeted or may be a result of falls in income, or unforeseen expenditure.

Figure 20 – Surplus/deficit on 2015 total expenditure

The first measure is of how many hospices spent more than they received. By this measure, almost 40 per cent recorded deficits in 2015.

Figure 21 – Movement in total reserves in 2015, including investments

The second measure is movement in reserves held by hospices, which is affected by any changes to investment values or property revaluations as well as income and expenditure in the year. By this measure, a quarter of hospices suffered negative movements in reserves in 2015.
Cash

The graph below shows the total number of months of expenditure (including shops and lotteries) that could be covered by cash and short-term deposits available to hospices at the year-end.

**Figure 22 – Months of expenditure covered by cash and short term deposits (all independent UK hospices)**

![Graph showing months of expenditure covered by cash and short term deposits]

**Key findings**

- On average, hospices hold six months’ of expenditure as cash in hand, and this total has been falling over recent years.

- Smaller hospices tend to have much higher cash holdings than larger hospices in comparison to their expenditure levels. The average small hospice holds about nine months’ worth of cash in hand, while the average large hospice held about four months’ worth of cash.
Key findings

- If investments as well as cash are taken into account, then the average hospice is holding in excess of a year’s worth of expenditure.

- Smaller hospices tend to have higher cash and investment holdings than larger hospices in comparison to their expenditure levels.
Return on investments

The graph below shows the income return on cash and investments (defined as dividends and interest received in the year as a percentage of the year-end carrying value of cash and investments). Unrealised movements on investments are not included.

Figure 24 – Income return on cash and investments (all UK hospices)

Key findings

• Average returns in 2015 were 1.2 per cent, which reflect low interest rates during the period.
Return on investments (continued)

The graph below shows the total return on investments, including bank and dividend income plus the effect of any realised and unrealised gains or losses on investments.

Figure 25 – Return on investments (including change in market value)

Key findings

- If changes in the value of investments are also taken into account, then hospices received an average return on investments of 3.4 per cent in 2015.

- Larger hospices tended to have received stronger returns than smaller hospices, and on average they had invested proportionally more on the stock market.
Audit fees

In total, hospices spent £2 million on audit fees in 2015. The graph below shows the audit fees for hospices compared to their income levels.

**Figure 26 – Audit fee per £100,000 of income (including income from shops and lotteries)**

<table>
<thead>
<tr>
<th>Income Range</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under £2M</td>
<td>472</td>
<td>396</td>
<td>404</td>
<td></td>
</tr>
<tr>
<td>Over £2M, Under £5M</td>
<td>234</td>
<td>237</td>
<td>242</td>
<td>234</td>
</tr>
<tr>
<td>Over £5M, Under £8M</td>
<td>155</td>
<td>158</td>
<td>169</td>
<td>173</td>
</tr>
<tr>
<td>Over £8M</td>
<td>146</td>
<td>157</td>
<td>135</td>
<td>142</td>
</tr>
</tbody>
</table>

**Key findings**

- The average audit fee (in proportion to income) has been steady over recent years if one considers all hospices.
- While fees for larger hospices have changed little, fees for smaller hospices show more fluctuation year-on-year.
- However, there are clear economies of scale, with larger hospices paying proportionally far less than smaller hospices. The smallest hospices relatively pay more than double the fees of larger hospices.