# Hospice costing model – user guide

## Purpose of the model

The hospice costing model is designed to help finance teams understand the true cost of running their services and to allocate overheads consistently across the organisation. It provides a structured way to enter all direct and indirect costs, assign them to specific **adult** or **children's** services, and apply standard allocation drivers (headcount, floor space, finance time, free meals provided, clinical time) to redistribute support costs. The model then calculates total costs for each service and derives cost per unit metrics based on both available capacity and actual activity. This supports decisions around pricing, budgeting and service design.

The model is free to use, but hospices are requested to submit their completed models to finance@hospiceuk.org . Hospice UK will use the service costs details to calculate an average service cost for the sector. We will not share any hospice's individual costs without their express permission.

## Time to complete

Based on testing by a group of hospice Finance Directors (FDs), we estimate that the model will take between one and three days to complete. This does not all need to be done in one go. The major time requirement comes in needing to collect all the data for the first time.

## Data requirements

Before using the model you will need to gather both financial and non-financial data:

- **Financial data** – all direct costs for each service (e.g., doctors, nursing, other clinical and non-clinical staff, consumables and overheads) and all support/overhead costs. Costs should be entered net of drugs and reimbursed catering costs (see Inputs sheet).
- **Allocation basis** – for each indirect cost, decide which driver best reflects the consumption of that service - **headcount**, **floor space**, **finance time** (limited to

retail, lottery, fundraising and governance), **free meals provided**, or **clinical time**.

- **Driver data** – collect headcount, floor space (square metres), free meals served, and estimates of clinical team time for each adult and children's service, plus ancillary services. For finance time, estimate only the share used by retail, lottery, fundraising and governance.
- **Capacity data** – number of beds or appointments per week for each service (adult and children) for inpatient, outpatient, specialist care at home, community, lymphoedema, education, research and bereavement. These are entered in the **Activity levels** sheet.
- **Activity data** – actual usage for each service (e.g. occupied bed nights, appointments delivered, visits made) during the period you want to cost. These are also entered in the Activity levels sheet.

# Colour-coding

The model uses colour-coding to guide data entry:

- **Yellow cells** – user inputs. You should enter data only into these cells.
- **Grey or uncoloured cells** – calculated cells that update automatically. Do not overwrite these.
- **Red labels** – fixed text that explains sections or headings.

# Services being costed

The model is designed to be consistent with services outlined in Hospice UK's Hospice service models guide, which is part of our Commissioning pack.

It provides a cost for six separate services (and for each of these services, it can provide separate costs for children's and adult services if applicable).

The six services are:

- Inpatient unit – specialist palliative care in a hospice inpatient unit.
- Outpatient/hospital inreach – outpatient services such as specialist palliative care clinics.
- Specialist care at home – specialist palliative care in a patient's own home, provided by a specialist multidisciplinary team. This usually includes specialist palliative care nurses, advanced practitioners and an appropriately skilled doctor or consultant amongst other roles.

- Generalist/non specialist community visits – Healthcare assistant-led care. Healthcare assistants trained in palliative care provide generalist community support or domiciliary care. (May sometimes be referred to as 'hospice at home' in some hospices).
- Lymphoedema – specialist clinical services provided by some hospices that support patients with lymphoedema, focusing on long-term condition management.
- Bereavement/family support/living well – services that provide early rehabilitative strategies to promote wellbeing; daycare; support for families and carers including bereavement support.

The model also calculates the total cost of two other areas of charitable activity that many hospices engage in – education and research – but does not calculate a unit cost for those.

If your hospice carries out any services which are completely different to the six service areas, you should include those service costs in the research or education categories.

# Worksheet guide

## Catering working

The catering working is a relatively simple sheet. It is designed to ensure the costing model only counts the cost of any catering that you provide free of charge, and not any meals which you sell.

Enter your total catering costs in cells B11 to B13.

In cells B6 and B7 you should enter the total number of meals you charge for and the total number you provide free of charge. It is unlikely to be necessary to do this for a whole year's data, as the ratios are unlikely to change. So you can either ask the catering team to estimate what percentage of the meals they provide are paid for and free of charge, or count them for a shorter period such as a day or week.

Note that you need to enter some data if you have any catering costs, even if you only provide free meals.

## Inputs sheet

Use this sheet to enter all cost data.

You do not need to enter data for every service or support centre, only the ones that are applicable to your hospice.

Steps:

1. You need to decide which period you are entering financial data for. It is recommended that you always use financial data for the previous financial year, however, the model will also work using budgeted data if you prefer.

2. Cells B4 to B10 contain a check to make sure your inputs add up. In cell B4 you should enter your total costs (it is recommended that you take these from the figure in your audited accounts).
   Two modifications are made to these total costs:
   B5: Hospices should be reimbursed by the NHS for any drug cost they incur. If this is the case for your hospice, enter the drug costs in cell B5 – we don't want to count those, as they do not represent a true cost for your hospice
   B6: This cell will automatically populate from the previous sheet, removing the cost of any meals that you sell, as again we don't want to count those.
   B7: Gives you adjusted total cost
   B8 and B9: Will show an error if your input do not match your total cost.

3. For each cost line (rows 15 through the end of the table), enter the **amount** in column **C**.

   Costs are generally split between staff costs and non-staff costs in each area.

   Some tips for entering costing data:

   Any general communications costs can be entered in rows 134 and 135, but only use this for comms costs that are not directly attributable to income generation. Anything that is clearly linked to income generation should be entered against those functions.

   In rows 157 to 162 there is space to enter costs of any clinicians who work across multiple functions. But where possible, it will be more accurate if you enter costs directly for each service – so for example a nurse who works on the IPU would have their salary allocated to IPU not general clinical.

4. Once all costs are entered, check the **'Sum of amounts entered'** (cell B8) and **'Difference'** (cell B9). The difference should be zero if B4 correctly reflects the total of all cost lines.

## Allocation drivers sheet

This sheet captures the non-financial drivers used to allocate indirect costs. Each row corresponds to a service (adult and children), an ancillary area (Retail, Lottery, Fundraising) or a support centre.

The data you enter into this sheet will determine how overhead costs are reallocated to the primary services.

Steps:

1. In the **Headcount** column, enter the number of staff (both full-time and part-time) associated with each service. Use whole numbers only. Support centres may have a headcount for themselves as well. It is generally advisable to use headcount rather than whole time equivalent (however, if you only have WTE data available you can use that).
2. In the **Floor Space** column, enter the amount of space (e.g., square metres or square feet or % of total space) used by each service. If a service does not use dedicated space, leave it blank. Do not include shop space in this calculation.
3. In the **Finance Time** column, enter values only for **Retail**, **Lottery**, **Fundraising** and **Governance / General Management**. These values should represent the percentage of the finance team's time spent on those areas – this should be estimated in % terms by the finance lead. Leave this column blank (or zero) for all other services.
4. In the **Free Meals Provided** column, enter the number of free meals provided to each service (e.g. patients, visitors). For services where meals are not relevant, leave blank. It may be difficult to get precise data for this cost driver. As it is unlikely to be a major cost, it is acceptable to make more of an estimate here – for example by splitting free meals provided between those provided to inpatients and all meals (which can be entered in the general clinical row 32).
5. In the **Clinical Time** column, estimate how the clinical team divides its time across services in % terms. Remember, this only refers to those clinical staff who you have been unable to allocate to a specific service. Enter zero where there is no clinical involvement.
6. Do not edit the '**Service Total'** row. It sums the values across the 19 service and ancillary areas and is used in cost allocations.

## Total costs after allocation sheet

This sheet summarises the results of the cost allocations. For each service you see **direct costs** (column B), **indirect costs** (column C) and **total costs** (column D). The model produces two versions of the total:

- **Base total** (column AA) – excludes fundraising, retail and lottery reallocations.
- **Reallocated total** (column AC) – includes those costs spread across the services.

The table on the right sums these totals into primary and fundraising categories. Cell **G8** shows the difference between your expected total cost (from the Inputs sheet) and the sum of allocated costs; if it is not zero, review your inputs or driver values.

## Activity levels sheet

You will need both capacity and activity levels for the period in question (most likely the previous financial year, although you can do it on a budgeted basis for the current year.

This sheet is split into two sections. The top section calculates **maximum capacity** (available units) for each service. Enter the number of beds or appointments per week in column D (yellow cells). The model multiplies by either **365 days** or **52 weeks** to produce the available capacity in column J.

In rare cases, it may be appropriate for you to over-write the formula in column J – for example if the number of inpatient beds you provided changes during the year, the formula will return an incorrect result.

For **Education** and **Research**, the model uses defaults of 1. Do not alter this.

The second section records **actual activity**: enter the actual number of occupied bed nights, appointments, visits or sessions in column J for each service.

Services such as Education and Research again use a default of 1 because capacity is not meaningful.

## Costs per activity sheet

This sheet calculates cost per unit measures for each service. There are **four columns**:

- **Base cost per available unit** – base total cost divided by available capacity.
- **Base cost per actual unit** – base total cost divided by actual activity.
- **Reallocated cost per available unit** – reallocated total cost divided by available capacity.
- **Reallocated cost per actual unit** – reallocated total cost divided by actual activity.

The sheet lists all adult services first, followed by a header row for children's services and then the children's services. Ensure you have populated both the maximum capacity and actual activity in the Activity levels sheet for the cost-per-unit results to appear.

Hospice UK believe that the most meaningful cost is the first column – cost per unit of capacity excluding income generation costs. However, the model shows costs including and excluding fundraising costs, and based on both capacity and activity, as some hospices may prefer to focus on a different metric.

## Cost per activity breakdown sheet

This sheet provides a dynamic breakdown of the **base cost per unit of capacity** for each service. Each row corresponds to a cost line from the Inputs sheet; each column corresponds to a service. The values show how much of that cost line contributes to the cost per unit of capacity. Use this sheet to understand which costs drive service costs. It updates automatically when you change inputs or driver values. Only the base cost per unit of capacity is broken down here; reallocated and actual unit costs are not included to keep the model manageable.

## Funding gap

This additional, optional worksheet can be used to calculate the total funding gap for each of your services. The total costs per service are pulled from previous worksheets, so the only data entry needed on this sheet is the amount of statutory income you currently receive (e.g. in the last financial year) per service, and the model will calculate the total shortfall per service that you need to find from net fundraising income.

# Final checklist

- Enter or update the total cost, drug costs and cost lines on the **Inputs** sheet.
- Provide headcount, floor space, finance time, free meals provided and clinical time data in the **Allocation Drivers** sheet.
- Enter maximum capacity and actual activity figures in the **Activity levels** sheet.
- Review the **Total costs after allocation** sheet to confirm that support costs have fully reallocated (support categories should show zero totals) and that the difference in cell G8 is zero.
- Examine the **Costs per activity** sheet for per-unit cost results and the **Cost per activity breakdown** for a detailed composition of base cost per unit.

Following these steps will allow you to understand how resources are consumed across your hospice services and support more informed financial planning and decision-making.

# Questions

Ideally, post any questions in the Hospice UK Financial benchmarking Teams network, as there is a good change your question may be relevant to other users.

Alternatively, email finance@hospiceuk.org

Anyone using this model is requested to send their completed model to finance@hospiceuk.org to enable national benchmarking.