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Accounting for voluntary hospices in England: A business model perspective

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ABSTRACT

This paper accounts for the sustainability of voluntary hospices in England that provide palliative end of life care for patients. A critical evaluation of the challenges facing hospices in England can be located within a *'descriptive business model'* that makes visible stakeholder relations. Changes to these stakeholder relations, and how they impact upon the viability of the hospice business model, can be captured within a 'narratives and numbers' investigative framework. Interviews with senior clinical and non-clinical managers in four hospices provide rich 'narratives' that reveal how the hospice business model is evolving. Whilst financial disclosures extracted from hospice financial statements generate 'numbers' which can be employed to explore the impact of changes in stakeholder relations upon financial viability. Our argument is that the hospice business model depends upon sustaining a complex network of stakeholder relations in order to maintain operational and financial viability.

1. Introduction

Hospices provide palliative care to terminally ill patients and the World Health Organization (WHO) defines palliative care as 'an approach that improves the quality of life of patients and their families facing the problems associated with life-threatening illness through the prevention and relief of suffering by means of early identification and impeccable assessment and treatment of pain and other problems, physical, psychosocial and spiritual' (WHO, 2002, p. 15). Caring for terminally-ill people is not something new and attempts have been made to trace back the roots of what is known as 'The Hospice Movement'. The term hospice was first associated with the care of dying patients in the 19th century in France and the modern hospice movement often attributed to the efforts of Dr Cicely Saunders who established St. Christopher's Hospice in London in 1967. Approximately 70% of the available palliative care beds in England are managed by voluntary sector organisations and the great majority of these hospices are independent local charities regulated by the Charity Commission. Some larger charities, for example, Marie Curie Cancer Care and Sue Ryder, as well as the National Health Service (NHS), also provide palliative care services (Hospice Information, 2005; The National Council for Palliative Care [NCPC], 2006,The National Council for Palliative Care [NCPC], 2011). Hospices are often motivated by the original values and vision of founders/trustees but are also subject to evolving regulatory demands covering: health and safety, patient treatment and delivering

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value for money for local government (see Care Standards Act, 2000; Department of Health [DoH], 2002; Department of Health [DoH], 2009; Ellis, 2012; Finlay, 2001; Help the Hospices, 2006, 2009; King's Fund, 2005, 2006; Palliative Care Funding Review [PVFR], 2011).

The literature on palliative and end of life care is either represented within a fragmented literature on the clinical, social, historical and political challenges facing the development of the hospice movement (Theodosopoulos, 2011; and see also Association of Children's Hospices, 2006; Clark, 1998; Davison, 2010; Denice & Walter, 1996; Kubler-Ross, 1969; Milicevic, 2002; Saunders, 1993, 2001). Or like many activities it is simply subsumed at a macro level, by economists and policy makers, into a Gross Domestic Product (GDP) figure that promotes a singular view of the economy. The GDP national accounting metric 'brackets heterogeneous parts of economic life as alike, on the basis that they all create market income which can be added up by economists' (Moran et al., 2018, in press).

Providential activities that are socially beneficial, such as hospice palliative care, are either assessed in a partial way because the activity is contextualised within a specific discourse or taken for granted because the activity is consolidated into an overarching GDP measure. Alternatively, Froud et al. have argued that a business model framework is a useful investigative device for critical accountants because we can explore how organisations seek to meet the two related conditions of 'stakeholder credibility' and 'financial viability' (Froud, Tischer, & Williams, 2016). This paper employs a similar business model framing device to construct an interpretative understanding of the development of hospice palliative care using both narratives and numbers (Froud et al., 2006). Our narratives are generated from interviews with key stakeholders and numbers extracted from hospice annual financial statements where both narratives and numbers are employed to assess the viability of the hospices business model.

The Literature on business models is grounded in economics and strategy (Bowman & Ambrosini, 2000; Chesbrough, 2010; Osterwalder, Pigneur, & Tucci, 2005; Timmers, 1998; Zott & Amit, 2010) and is normally focused on corporates that generate profit for shareholder value. Our argument is that a business model framework of analysis can also be employed to generate insight into the development and viability of not for profit voluntary hospices that provide palliative care services. Specifically, we employ a business model framing device because it makes visible material stakeholder relations that define the nature of the activities carried out by hospices (Andersson & Haslam, 2012; Andersson, Gleadle, Haslam, & Tsitsianis, 2014; Freeman, Wicks, & Parmar, 2004; Haslam, Andersson, Tsitsianis, & Yin, 2013; Haslam, Tsitsianis, Andersson, & Gleadle, 2015). Page and Spira (2016) observe that the various approaches to understanding an organisations business model have much in common with Wilson and Chua's broad but useful depiction of the organisation as a 'transformer of contributions from various stakeholders' (Wilson & Chua, 1993: 23).

Within accounting there is also an ongoing debate about the objectives of financial disclosure that of informing a narrow group of investors or broader stakeholders about the financial viability of a reporting entity. Zeff (1999) observed that the American Institute of Certified Public Accountants (Trueblood Report, 1973) discussed the use of multiple values to describe organisation performance to a range of stakeholders and also proposed that social goals are no less important than economic goals. The International Accounting Standards Board (IASB, 2013) is still engaged in a process of clarifying the accounting conceptual framework for the financial statements. However, it is suggested that information disclosed in financial statements should be useful and relevant to a wider group of stakeholders (IIRC, 2013). The European Financial Reporting Advisory Group (FRAG) research report on business models suggested that: 'The need to understand an entity's business model is further increased by development of integrated reporting, which suggests that investors need to rely on a cohesive set of information, encompassing more than only – financial statements' (EFRAG, 2013: 12). From a financial reporting perspective the objective has been to employ 'business model reporting' to inform investors about risk and valuations (CFA, 2007). Others are sceptical about the utility of employing a firm's business model to structure financial disclosures and inform investors (Page, 2014). However, Singleton-Green (2014) observes that: each type of activity has its own business model, with its own particular types of market transaction, its own particular types of internal process, and its own particular risks and opportunities (Singleton-Green, 2014: 700). A reporting entities financial results are contingent on the nature of market transactions and risks. Market transactions and risks are the outcome of a reporting entity's interactions with stakeholders where these relationships are contingent upon the nature of the activities carried out to deliver specific products or services. These stakeholder relations are not only embedded in products and services produced but also have an impact upon the financial viability of a reporting entity (Haslam et al., 2015). For example, changes in hospice regulatory arrangements could modify the way in which services are delivered for patients and these adjustments might, in turn, inflate costs ahead of funding received and thereby compromise financial viability.

In the next section of this article we construct an understanding of the stakeholder network that supports the activities carried out by hospices and which collectively help to broadly define the nature of the hospice business model. These stakeholder relations do not simply affect the nature of activities carried out by hospices but can also have a material impact upon its financial viability.

2. Framing hospices as a business model

The literature on business models is derived from the discourse of economics and strategy and is employed to explain how a firm positions itself within a value chain to create and capture value (Timmers, 1998; Zott & Amit, 2010). That is, a firm's business model describes how resources are deployed to generate innovative products and services (value creation) and manipulate value chains to capture value. Haslam et al. (2013) construct an alternative understanding grounded in