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By email: «EMAIL_ADDRESS»

29 April 2020

Dear «TITLE_SURNAME»

HC-One – Covid-19 Update

On behalf of HC-One, the UK's largest care home operator with 328 homes and almost 20,000 beds, I am writing to provide you with an update on the impact of Covid-19.

Throughout this crisis HC-One has recognised its duty and responsibility to support local communities and the local NHS. HC-One Colleagues on the ground are doing this and going the extra mile in often incredibly challenging situations. We are doing all we can to support them and welcome the focus social care and its workforce is finally getting in the national and local media and public consciousness. It is vital this focus elevates carers to the same level of esteem as rightly enjoyed by our NHS partners.

HC-One, along with all other providers, has faced significant challenges, including infection of Residents and Colleagues, the supply of appropriate PPE, access to sufficient and appropriate testing solutions and numerous workforce challenges.

I have included some of the current key metrics:

- 6% of Colleagues unable to work due to isolation and sadly three fatalities;
- 3,171 reported Covid-19 infections;
- 637 reported Covid-19 deaths;
- Current death rate three times higher than prior year and the highest on record;
- Deaths are currently running at the rate of 8 x admissions.



HC-One

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Registered in England and Wales: HC-One Limited, registration no. 07712656;

Meridian Healthcare Limited, registration no. 01952719; HC-One Beamish Limited, registration no. 05217764;

HC-One Oval Limited, registration no. 10257888; RV Care Homes Limited, registration no. 07417290;

Hailsham House and Operations Limited, registration no. 10964855; Kettlewell House and Operations Limited, registration no. 10964879.

As a consequence occupancy has decreased by 6% since 3 April and is currently 84%. HC-One has developed sophisticated statistical techniques to model possible future infections and deaths. Using this modelling and taking into consideration deaths to-date, suggests an occupancy level of 70% by July.

At these occupancy levels HC-One and other operators will not be generating cash. In anticipation of this HC-One has taken actions to improve the strength of its balance sheet. As HC-One owns the vast majority of its real estate, we do not have significant operational leverage from rents and therefore are well placed to face the challenges ahead. Balance sheet resilience strategies either put in place of, or being pursued include:

- Payment deferrals with stakeholders, such as HMRC, landlords and lenders;
- Exploring availability of Coronavirus Large Business Interruption Scheme loans;
- Relaxation of lender financial covenants;
- Equity contributions from shareholders;
- Working with your social care commissioners on business as usual annual fee increases and additional COVID-19 support.

The above will allow HC-One to face the coming challenges better than many other operators. However, it may not be sufficient.

To support HC-One through this period we are requesting an income protection scheme to, along with other measures put in place, assist HC-One over this unprecedented and challenging period. The request is for commissioners to guarantee income at the equivalent of 90% occupancy, HC-One's occupancy ahead of the Covid-19 crisis. At least one commissioner is already offering this short-term assistance.

If you would like to discuss this please feel free to contact me directly, via my PA Joanna Gamack on 01325 348053 or email Joanna.gamack@hc-one.co.uk. Given the fast moving nature of this crisis and to allow HC-One to plan, it would be appreciated if you could respond by 5 May.

Yours sincerely

David Smith
Chief Financial Officer