Making the State Pension available to all terminally ill people
Marie Curie policy note

1 in 4 people who die in working age spend the last 12 months of their lives in poverty. Unable to claim the State Pension and forced to rely on working age benefits that do not meet the additional costs they face, people who die in working age are twice as likely to be in poverty at the end of life as those who die in pension age.

Marie Curie's research has shown that the State Pension is a far more effective safeguard against poverty than working age benefits. It isn't right that terminally ill people miss out on this safeguard – in most cases after having contributed to the system all their lives through National Insurance contributions – and find themselves in poverty in the aftermath of a diagnosis of terminal illness, simply because they reach the end of their lives before they are 'old enough.'

Marie Curie's #DyingInPoverty campaign calls upon the UK Government to give terminally ill people in working age access to their State Pension. This note explains how we propose the policy would work.

What would terminally ill people be entitled to?

Under our proposal, terminally ill people in working age would first be **entitled to claim the amount of New State Pension indicated by their National Insurance contribution (NICs) record**.

If a person living with terminal illness had made the full 35 years of qualifying NICs they would therefore receive the full New State Pension amount (£185.15 per week in 2022/23); if they had made fewer contributions, they would receive a lower level of State Pension.

While more than 90% of working age people (those aged 20-64) in the last year of life have made some qualifying NICs, only around 25% have made the full 35 years of contributions. The majority have made between 5-35 years of contributions, with older people typically having made more.

Therefore, if the household's income after the terminally ill person was entitled to claim their State Pension still fell below the Pension Credit Guarantee threshold (including the severe disability premium, this is £252 for a single person and £348 for a couple in 2022/23) and they were otherwise eligible to claim Pension Credit (i.e. they did not have significant savings), then we propose the terminally ill person would **receive an additional payment to top their income up to Pension Credit level.** In practice, this could be achieved by creating a 'Pension Credit element' to Universal Credit for this purpose.

We would suggest that this is paid instead of the Limited Capability for Work and Work Related Activity (LCWRA) element of UC, and is set at a rate equivalent to the single or couple component of Pension Credit, minus the UC standard allowance (25 or over rate) – at 2022/23 rates this would be:

Single: £182.60 – £77 = £106
Couple: £278.70 – £121 = £157.70

An additional £69.40 "severe disability addition" would be payable where the terminally ill claimant meets the conditions for the Severe Disability Addition in Pension Credit.

This approach would entitle people who become terminally ill in working age to benefit from the NICs they have made throughout their working lives and receive their State Pension, and ensure that those most likely to fall below the poverty line in the aftermath of a terminal diagnosis – those with a lower NICs record (typically younger people and women who have taken time out of the workforce) and those without significant savings or assets to

rely upon, who would be reliant on benefits as their sole or main source of income – would have a guaranteed minimum income.

How would this approach interact with other benefits?

In many cases, terminally ill people will be claiming other benefits such as Personal Independence Payments (PIP), contribution-based Employment & Support Allowance ('new-style' ESA) and Universal Credit (UC). Our intention is that most terminally ill people who have either paid in significantly to their State Pension, or are on a low income, are significantly better off. We also want to ensure that nobody would be worse off as a result of claiming their State Pension under this proposal.

Therefore, we propose that this approach would interact with other benefits in the following ways:

- **Universal Credit:** Universal Credit contains a number of additional elements in addition to the standard allowance; for example, additional elements for people living with dependent children, a childcare costs element, a disability element and a housing element. A terminally ill person may be in receipt of one or more of these elements in addition to the standard allowance.
    - For those receiving the State Pension and Universal Credit (typically so-called "mixed age couples") the SP is treated as unearned income and deducted pound for pound from their UC entitlement. We are not proposing to change this arrangement here.
    - However, in order to ensure that people living with terminal illness benefit from receipt of the state pension, we propose introducing a 'Pension Credit element' to UC for terminally ill people claiming their State Pension, which would ensure their Universal Credit entitlement is increased to at least the level which would be received through the Pension Credit guarantee .

- **Personal Independence Payments:** Normally, pensioners are unable to claim PIP; instead, they can claim Attendance Allowance (AA). AA is paid at the same rate (£92.40) as the highest daily living amount of PIP. PIP may also include a mobility component (of up to £64.50) which some terminally ill people may be entitled to and would not wish to lose out on.
    - In practice, eligibility for PIP (as opposed to AA) is based on the claimant not having reached State Pension Age. While our proposal would entitle terminally ill claimants to access their State Pension early, they have not reached State Pension Age and so we propose their entitlement to PIP remain unchanged.
    - As a non means tested benefit, receipt of the State Pension would not affect PIP entitlement.

- **New-style Employment & Support Allowance:** A person may claim new-style ESA (ns-ESA) if they have recently made National Insurance contributions, on its own or in addition to UC – ns-ESA is not affected by savings or most income. In some cases, someone's ns-ESA entitlement may exceed their State Pension entitlement, and if they had to claim the SP instead of ESA, they would be left worse off (note – this would not be the case where receiving UC, where their level of income would be set by UC entitlement, rather than either SP or ESA rates.)
    - One option to deal with this would be to allow someone to claim either their SP or ESA, but not both. The risk with this is that people would need to calculate which is best to claim, and in some instances make the wrong decision and be worse off as a result.
    - A second option would be to provide an addition within ns-ESA to top up their ESA entitlement to the level of someone's State Pension entitlement.
    - Instead, we propose enabling people to claim both ns-ESA and the SP if they choose to, but to treat them as overlapping benefits – with any SP receipt deducted from their ns-ESA entitlement until the entitlement is lost altogether.

Examples (all amounts given per week and rounded to nearest £)

1. Pradeep is 55 years old, with one child, and rent of £100 per week. She has no other income or savings. She is terminally ill, and has an underlying state pension entitlement of £120 per week. She receives the daily living component of PIP at the enhanced rate.

   Universal Credit (maximum entitlement)
   Standard Allowance - £77
   Child element – £67
   Housing element - £100
   Pension Credit element - £175 (includes severe disability addition)
   Total = £419

   Actual entitlement:
   State Pension = £120
   UC = £299
   PIP = £92
   Total = £511

   (Note – Pradeep has no ns-ESA entitlement because SP receipt is greater than underlying ns-ESA)

2. John and Amy – John is 60 and is terminally ill. He has an underlying state pension entitlement of £40 per week, he is entitled to ns-ESA. He receives the daily living component of PIP at the enhanced rate. His partner Amy earns £40k per annum. They have no children.

   UC – no entitlement because Amy's income too high.
   ns-ESA - £62 (£102 - £40 SP entitlement)
   PIP - £92
   State Pension - £40
   Total = £194

   (Note - in this case, John may choose not to claim his SP as it is deducted in full from his ns-ESA entitlement).

   If John was entitled to a full State Pension of £185, he would have no entitlement to ns-ESA (as this would be entirely eroded by his state pension entitlement), but he would be entitled to receive his State Pension in full. Combined with PIP this would make his income £277.

How many people would be lifted out of poverty at the end of life?

In June 2022 Marie Curie asked Loughborough University to model the cost and benefits of extending access to the State Pension to anybody who meets the new definition of terminal illness in the UK benefits system introduced by the DWP in the Social Security (Special Rules for End of Life) Act 2022, namely that their death can be "reasonably expected within 12 months."

According to our analysis, adopting this policy would lift around **8,600** people in working age out of poverty in their last year of life each year, and reduce the poverty rate among working age people with a terminal illness from 26% to just 14% - in line with the rate of end of life poverty among pensioners (see table 1 below).

This policy would eliminate the additional risk of poverty at the end of life currently experienced by terminally ill people in working age.

Table 1: Cost/benefit analysis of extending State Pension to people aged 20-64 in the last 12 months of life[1]

	No intervention (current policy)	Proposed policy
Poverty rate for those in last year of life (%)	26.0	14.1
Number in poverty (thousands)	18.9	10.3
Number lifted out of poverty (thousands)	-	8.6
Weekly cost to the state (£millions)	-	2.2

Source: Loughborough University analysis conducted on behalf of Marie Curie

How much would this cost the UK Government?

As indicated in the table above, according to Loughborough University's analysis the cost of extending the State Pension to working age people with a terminal illness as described would be £2.2 million per week – or **£114.4 million per year**.

To put this figure into context, in 2021-22 the total UK State Pension bill was £104.7 billion; extending the State Pension to terminally ill people in working age and lifting 8,600 people out of poverty at the end of life would therefore cost the UK Government an additional **0.1% of the annual State Pension bill.**

Just 6.8% of terminally ill people aged 20-64 have made no NICs during their working lives and more than a quarter have contributed the 35 years necessary to be eligible for the full New State Pension; on average they have accrued 24 years of NICs by the time they reach the last year of life. Even among the younger age group (those aged 20-44), on average terminally ill people have made 17.8 years of qualifying NICs by the time they reach the last year of life – more than half of the contributions necessary to receive the full New State Pension.

[1] Analysis restricted to subset causes of death, i.e. excluding those people who died in working age where their cause of death is unlikely to be from a terminal illness.