

New York Federal Court Rules Public Hospitals Are Exempt from State Labor Laws

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On October 16, 2013, a New York federal district court granted a partial motion to dismiss a class action suit brought against the New York City Health & Hospitals Corp. (HHC) under the Fair Labor Standards Act (FLSA) and New York Labor Law, finding that HHC is a “political subdivision” of the state and therefore exempt from state Labor Law claims. [Cromwell v. New York Health and Hospitals](#). HHC consists of over a dozen hospitals throughout the five boroughs, including Bellevue Hospital, Metropolitan Hospital Center, Jacobi Medical Center, and Elmhurst Hospital.

The plaintiffs sought to recover unpaid wages allegedly owed to hourly employees for work performed before and after scheduled shifts, during lunch and other meals periods, and during breaks, which they asserted constituted overtime and gap-time pay, in violation of state and federal labor laws.

New York’s Labor Law excludes from the definition of “employee” those individuals employed “by a federal, state or municipal government or political subdivision thereof.” Therefore, if HHC were a political subdivision, New York’s Labor Law wage provisions would not apply to HHC’s employees.

In determining whether a public benefit corporation such as HHC is a political subdivision, the court looked at: (1) HHC’s enabling legislation to assess the degree of state characteristics attributable to HHC, (2) whether HHC performs an “essential government function,” and (3) whether HHC is heavily supported by public funding. According to the Court, each “particularized inquiry” revealed HHC to be akin to political division. First, HHC’s enabling legislation expressly provides that it was created to serve and support an essential public and government function. Second, HHC’s public function involves the provision of care to New York’s ill and infirm population. And finally, HHC receives substantial public funding. The Court also noted that the fact that employers subject to the state’s Labor Law are 100% liable for liquidated damages (on top of any back wages) favors exempting HHC because of its public mission and funding.

Although the Court’s ruling will not apply to the majority of hospitals throughout the state that are simply not-for-profit corporations, and not every public benefit corporation is treated as a subdivision of the state, there are many municipal hospitals that may in fact qualify for the Court’s stated exemption. In addition, although exempt under New York law, HHC still must defend itself against the FLSA claims, which were not dismissed.

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