

## **California Passes New Law Raising Minimum Wage for Health Care Workers**

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On October 13, 2023, California Governor Gavin Newsom signed a first-of-its-kind bill related to an industry-wide minimum wage in California. SB 525 impacts the health care industry and sets a minimum wage schedule that employers in the health care industry must follow.

It establishes five categories of health care providers, with the category determining the minimum wage schedule the employer

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must follow. For example, large health care employers (i.e., those with 10,000 or more full-time employees) must increase their minimum wage for employees to \$23/hour beginning June 1, 2024. Thereafter, the minimum wage will increase on a specified schedule.

### **Categories and Schedules for SB 525**

Health care employers are grouped into one of the following categories, which sets their minimum wage schedule moving forward. These categories are generally based on the employer's size, payor mix, and location. Notably, the legislation covers nearly every type of "health care facility," except those owned, controlled, or operated by the California Department of State Hospitals and specific tribal clinics and outpatient facilities operated by Indigenous tribes.

1. Large health care employers and health systems, include: (1) those that have 10,000 or more full-time equivalent employees; (2) those that are part of an integrated health care delivery system with 10,000 or more employees; (3) county health care systems with 10,000 or more full-time equivalent employees or operated by a county with a population of 5,000,000 or more; and (4) dialysis clinics;
  - a. Beginning June 1, 2024, the minimum wage increases to \$23/hour and will thereafter increase by \$1/hour annually until the minimum wage reaches \$25/hour on June 1, 2026, until otherwise adjusted.
2. Hospitals with a high governmental payor mix (90% or more), an independent hospital with an elevated governmental payor mix (75% or more), a rural independent health care facility, or a facility owned, affiliated, or operated by a county with a population of less than 250,000 people;

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- a. Beginning June 1, 2024, the minimum wage increases to \$18/hour and will thereafter increase annually by 3.5% until it reaches \$25/hour on June 1, 2033.
  3. Primary care, free, community, and rural clinics;
    - a. From June 1, 2024, to May 31, 2026, the minimum wage increases to \$21/hour. From June 1, 2026, to May 31, 2027, the minimum wage will increase to \$22/hour, and, beginning June 1, 2027, the minimum wage shall be \$25/hour.
  4. All other, non-specified health care employers;
    - a. From June 1, 2024, to May 31, 2026, the minimum wage increases to \$21/hour. From June 1, 2026, to May 31, 2028, the minimum wage will increase to \$23/hour, and, beginning June 1, 2028, the minimum wage shall be \$25/hour.
  5. Licensed skilled nursing facilities.
    - a. From June 1, 2024, to May 31, 2026, the minimum wage increases to \$21/hour. From June 1, 2026, to May 31, 2028, the minimum wage will increase to \$23/hour, and, beginning June 1, 2028, the minimum wage shall be \$25/hour.

These minimum wage increases will also have a significant impact on health care facilities' salaried employees. Specifically, the bill provides that employees paid on a salary basis shall be paid a salary of no less than 150% of the applicable health care worker minimum wage or 200% of the generally applicable state minimum wage, whichever is greater. Assuming the health care worker minimum wage formula will result in a greater salary, employers in the health care field must prepare to increase the pay of their salaried employees. For example, from June 1, 2024, to May 31, 2025, a "large health care employer" (i.e., Category 1 above) should be prepared to increase the salary of any salaried employee

earning less than \$71,760 per year.

Importantly, the law defines “covered health care worker” very broadly to encompass potentially every employee in a hospital, clinic, medical office, etc.: “An employee...who provides patient care, health care services, or services supporting the provision of health care.” The bill provides examples of job positions covered by the bill, ranging from nurse to janitor and food service worker to billing personnel.

A covered facility can seek a waiver of the minimum wage increase if it can “raise doubts” about its ability to continue operating under generally accepted accounting principles. The waiver must be renewed and granted annually by the Department of Industrial Relations in consultation with certain health care departments.

Finally, it is worth noting the bill preempts all local minimum wage statutes for health care workers until 2034. This is one benefit of the bill for employers. Prior to the passage of SB 525, several unions representing health care employees had pursued minimum wage increases at the city and county levels. This created the possibility of a complex patchwork of rules and ordinances for health care organizations to follow that will now be avoided for the time being. Thus, while the increased minimum wage will impact health care employers, at least this portion of the bill may be favorable.

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