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## California Raises Minimum Wage for Health Care Workers

By: [Leah Lively](#)

California Governor Gavin Newsom recently signed SB 525 into law, which amends the California Labor Code to set industry minimum wage requirements for nearly all healthcare workers, whether they are hourly or salaried employees, or independent contractors. The law also provides these workers with an independent private right of action to enforce these minimum wage requirements. The minimum wage schedules vary based on the type of employer healthcare facility, and are effective June 1, 2024.

SB 525 sets forth a detailed framework for minimum wage schedules applicable to “covered health care employees.” The categorization of healthcare facilities is determined by factors such as facility size, type, location, and the percentage of governmental payor mix. Notably, the definition of “covered health facility” encompasses almost all types of healthcare facilities, with a few exceptions including those operated by the California Department of State Hospitals, tribal clinics exempt from licensure, and outpatient settings operated by federally recognized Indian tribes.

This law extends its scope to a wide range of healthcare positions, encompassing roles from patient care professionals like nurses and physicians, to support staff such as janitors and clerical workers. The legislation also includes contracted or subcontracted employees when the healthcare facility has control over their wages, hours, or working conditions.

However, certain groups are exempted from this law, such as outside salespersons, public sector employees whose primary role is not in healthcare, and delivery or waste collection workers who are not directly employed by the healthcare facility.

### **Graduating Minimum Wage Requirements**

SB 525 establishes new minimum wage requirements for healthcare workers pursuant to these parameters:

- Healthcare organizations with 10,000 full-time equivalent workers or more will pay a minimum wage of \$23/hour in June 2024, \$24/hour in June 2025, and \$25/hour in June 2026. Minimum wage after 2026 will be indexed to the lower of inflation or 3.5%.
- Healthcare organizations that qualify for the longest step up in wages include: (1) the 31 hospitals in the state that are not part of a health system and are rural; (2) the 39 hospitals in the state that are not part of a health system and have a government payor mix of 75% or more, where government payor mix is determined by the share of utilization attributed to Medi-Cal and Medicare; and (3) the

seven hospitals in the state that are part of a health system where both the hospital and the health system have a government payor mix of 90% or more, where government payor mix is determined by the share of utilization attributed to Medi-Cal and Medicare.

Starting in June 2024, these hospitals will have to pay workers \$18 an hour. The minimum wage after 2024 will be increased by 3.5% annually until it reaches \$25/hour in June 2033; it is indexed thereafter to the lower of inflation or 3.5%.

- For primary care clinics, free clinics not run by governmental entities, community clinics along with their associated intermittent clinics, rural health clinics, and urgent care clinics owned and operated by primary care clinics, they will pay \$21/hour in June 2024, \$22/hour in June 2026, and \$25/hour June 2027.
- For licensed skilled nursing facilities when a patient care minimum spending requirement is in effect, they will pay \$21/hour in June 2024, \$23/hour in June 2026, and \$25/hour in June 2028.
- For healthcare facilities that do not fall into one of the other categories, they will pay workers \$21/hour in June 2024, \$23/hour in June 2026, and \$25/hour in June 2028. The minimum wage after 2028 will be indexed to the lower of inflation or 3.5%.

By January 31, 2024, the Department of Health Care Access and Information will make the following information available online:

- A list of all covered healthcare facility employers with either 10,000 or more full-time equivalent employees, or those that are part of an integrated delivery system or healthcare system also having 10,000 or more full-time equivalent employees.
- A list of all healthcare facilities falling under one of the following categories: a hospital with a substantial governmental payor mix, an independent hospital with an elevated governmental payor mix, or a rural independent covered healthcare facility.

In the event that any facility believes they have been incorrectly classified and seeks reclassification, they must submit a request to the Department of Health Care Access and Information for proper reclassification no later than January 31, 2025.

### **One Year Waiver Program Available**

Until January 1, 2025, employers will have a limited window of opportunity to contest the accuracy of how covered healthcare employers are classified, based on factors such as the number of full-time equivalent employees, system affiliation, payor mix, and other pertinent information. This challenge can be made through the California Department of Health Care Access and Information.

Additionally, the Department of Industrial Relations, in collaboration with relevant healthcare departments, will be authorized to grant waivers to specific healthcare facilities. These waivers will be

granted to healthcare facilities that can demonstrate that compliance with the new wage laws would jeopardize their ongoing operations. Facilities will have the option to renew their waivers 180 days before the current one expires.

### **Preemption**

SB 525 preempts local ordinances that establish wage standards for healthcare workers.

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### **[Leah Lively](#)**

Shareholder  
(503) 226-8638  
[llively@buchalter.com](mailto:llively@buchalter.com)