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Labor & Employment Alert

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California creates first minimum wage requirement for healthcare workers

By David Prager and Adriana L

Senate Bill 525 increases the minimum wage for health workers in California by an estimated 30%, beginning June 1, 2024. Senate Bill 525 increases the minimum wage for health workers in California by an estimated 30%, beginning June 1, 2024.



What's the impact?

- SB 525 raises the minimum wage for California healthcare employees and sets a new salary threshold for exempt healthcare employees.
- Any employee providing patient care, healthcare services, or other services supporting the provision of healthcare are covered.
- This new law goes into effect June 1, 2024.

California state's minimum wage is currently set at \$15.50 per hour for all employers, with [some cities and counties setting their own minimum wage](#) higher than the state. On January 1, 2024, the minimum wage in California will increase to \$16.00 statewide for all employers.

Senate Bill 525

[SB 525](#), signed by Governor Gavin Newsome on October 13, 2023, increases minimum wage requirements for healthcare workers, starting June 1, 2024. Coverage under SB 525 is expansive, applying to most healthcare employees and facilities.

Under the law, a “covered healthcare employee” is defined as an employee providing patient care, healthcare services, or other services supporting the provision of healthcare. SB 525 also covers independent contractors if there is a contract with the healthcare facility to provide healthcare services or services supporting the provision of healthcare, *and* the healthcare facility, directly or indirectly, exercises control over the contractors’ wages, hours, or working conditions. A covered healthcare employee does not include outside salespersons, work performed in the public sector where the primary duties are not healthcare services, delivery or waste collection work, and medical transportation services.

“Covered healthcare facilities” include medical hospitals, psychiatric hospitals, skilled nursing facilities, home health agencies, and a patient’s home when healthcare services are delivered by an entity owned or operated by a general acute care hospital.

Practical Impact & Looking Ahead

Healthcare employers will be required to comply with the minimum wage requirements outlined in SB 525 based on how the facility is categorized.

For “large health systems” or healthcare facilities with 10,000 or more full-time employees, dialysis clinics, or facilities owned, affiliated, or operated by a county with more than five million people, the minimum wage for covered healthcare employees is set at:

- / \$23.00 per hour from June 1, 2024
- / \$24.00 per hour from June 1, 2025
- / \$25.00 per hour from June 1, 2026

For hospitals with high populations of Medicare/Medicaid patients, rural healthcare facilities, and facilities owned, affiliated, or operated by a county with less than 250,000 people, the minimum wage for covered healthcare employees is set at:

- / \$18.00 per hour, with a 3.5% increase annually, from June 1, 2024
- / \$25.00 per hour from June 1, 2033

For free clinics not conducted or maintained by a government entity, community clinics, urgent care clinics, rural health clinics, and associated intermittent clinics, as well as licensed skilled

nursing facilities where a patient care minimum spending requirement is in effect, the minimum wage for covered healthcare employees is set at:

/ \$21.00 per hour from June 1, 2024

These rates increase again, beginning on June 1, 2026, at different increments depending on facility type.

Finally, the catch-all for all other healthcare facilities sets the minimum wage for covered healthcare employees at:

/ \$21.00 per hour from June 1, 2024

/ \$23.00 per hour from June 1, 2026

/ \$25.00 per hour from June 1, 2028

It is estimated that affected workers will receive an average wage increase of over \$5.74 per hour, or a 30% increase in pay. The wage increases will also raise operating costs by approximately 3% for employers.

Healthcare employers should evaluate the applicability of SB 525 to their facility type and closely review existing policies to prepare for SB 525 minimum wage increases.

For more information on the content of this alert, please contact your Nixon Peabody attorney or:

David M. Prager

213.629.6167

dprager@nixonpeabody.com

Adriana Levandowski

213.629.6015

alevandowski@nixonpeabody.com

