

California Seeks to Increase Healthcare Workers' Minimum Wage to \$25/hour

August 21, 2023

California is poised to pass Senate Bill 525 (“SB 525” or the “Bill”), which would raise the minimum wage for all workers in healthcare facilities across California to \$25 per hour by June 1, 2025, and provide a private right of action for any covered worker to enforce the minimum wage requirement.¹ While Senator María Elena Durazo (D), the primary author of SB 525, and proponents of the Bill argue that increasing wages would provide much needed benefits for healthcare workers which, in turn, would improve patient care quality, the Bill has been met with strong opposition from a wide range of interested stakeholders, including the California Hospital and California Children’s Hospital Associations, the California Medical Association, educational institutions, and numerous business organizations.

Increased Minimum Wage for Healthcare Workers. SB 525 would increase the minimum wage of healthcare workers in two stages: covered healthcare employers must increase their minimum wage to \$21 per hour by June 1, 2024, and then to the Bill’s end goal of \$25 per hour by June 1, 2025. Thereafter, on or before August 1, 2025, and on or before August 1 of each subsequent year, the healthcare minimum wage would increase by the lesser of 3.5% and the annual rate of change in the U.S. Consumer Price Index for Urban Wage Earners and Clerical Workers (“U.S. CPI-W”), unless the U.S. CPI-W for the relevant period is negative, which will result in no change (negative or positive). These increases to the healthcare minimum wage would take effect the following January. SB 525 also contemplates an increase for salaried employees, who must earn at least 150% of the healthcare worker minimum wage to be exempt from state minimum wage and overtime requirements; at minimum, salaried employees would earn approximately \$78,000 per year.

The Bill’s scope is vast, covering nearly every type of healthcare entity operating in California, including, but not limited to, general acute care and psychiatric hospitals, skilled nursing facilities, public health jurisdictions,² licensed home health agencies and

¹ The text of SB 525 is available [here](#).

² A public health jurisdiction includes local health departments serving counties with populations less than 50,000, county health departments that have the provisional approval of the department, health departments of

patients' homes receiving healthcare services by acute care hospitals, clinics (e.g., primary care, specialty care, dialysis, psychology, state-operated and tribal, rural health, urgent care), psychiatric facilities, and county correctional facilities that provide healthcare services. The range of workers covered is also notably broad, and goes beyond employees to include independent contractors as well. With limited exceptions,³ SB 525 applies to anyone working at a covered healthcare facility (regardless of the employer), and those providing healthcare services for anyone that owns or controls a healthcare facility, even if that work is provided outside of the facility. Under the current language of the bill, every person working for or at a healthcare facility (e.g., nursing assistants, janitors, receptionists and information clerks, administrative assistants, security guards, housekeeping staff, etc.) would be entitled to the \$25 per hour minimum wage. The failure to comply with the proposed minimum wage increases would constitute a criminal misdemeanor; healthcare entities could face enforcement by the California Labor Commission or covered workers through the same means available for a violation of any other state minimum wage requirement (e.g., civil actions to recoup unpaid wages).

Looking Ahead. If enacted, SB 525 would greatly expand upon the efforts by California cities like Long Beach,⁴ Downey,⁵ Santa Monica,⁶ and Los Angeles,⁷ to increase the minimum wage for healthcare workers. California's SB 525 is broader than bills adopted by other states, such as New York,⁸ providing a wage increase to every healthcare worker, including ones in non-patient-centric roles, and imposing a much more

cities of 50,000 or more people, and the local health departments of counties that had a population greater than 1 million on September 19, 1947. See California Health and Safety Code § 101185.

³ SB 525 does not apply to employment as an outside salesperson, work performed in the public sector where the primary duties are not healthcare services, or delivery or waste collection on the premises of a covered healthcare facility (so long as the delivery or waste collection worker is not an employee of a person that owns, controls, or operates a covered healthcare facility).

⁴ The Long Beach City Council approved an ordinance in August of 2022 that increased healthcare workers' minimum wage to \$25 per hour. A referendum petition was filed in September of 2022 which suspended the ordinance from going into effect until the City Council either submits the ordinance to Long Beach voters or repeals the ordinance. More on the ordinance is available [here](#).

⁵ The Downey City Council approved an ordinance in July of 2022 that increased healthcare workers' minimum wage to \$25 per hour. A referendum petition was filed in August of 2022 which suspended the ordinance from going into effect until a referendum election on November 5, 2024. More on the ordinance is available [here](#).

⁶ The Santa Monica City Council directed the City Manager and City Attorney to study and draft an ordinance that would guarantee healthcare workers a \$25 minimum wage in Santa Monica. The Councilmembers' request is available [here](#).

⁷ On June 29, 2022, the Los Angeles City Council approved an ordinance that increased healthcare workers' minimum wage to \$25 per hour for those employed only by private hospitals and clinics. The ordinance is available [here](#).

⁸ As part of the 2023-2024 State Budget, New York will increase the minimum wage of home care aides to \$19.65 per hour in "downstate" counties (Nassau, Suffolk, Westchester, and the five counties in New York City), and to \$18.65 per hour for the remainder of the state by January 1, 2026. More on the New York minimum wage for home care aids is available [here](#).

substantial wage increase: a surge of \$9.50 from the current California-wide \$15.50 minimum wage by 2025.⁹

Proponents of the Bill estimate that over 450,000 workers would benefit from the wage increases, which would predominantly benefit people of color and women.¹⁰ Supporters have also pointed to research which suggests the wage increase would help address staffing shortages by equipping workers with the means to afford the high (and increasing) costs of living that force healthcare workers to take on multiple jobs (which can lead to burnout). By tackling staffing shortages, which are linked to increased wait times and hospital stays and lead to poorer health outcomes and care quality issues, advocates expect patients would in turn benefit from improved quality of care; the Bill cites this as a chief supporting factor, arguing that California is facing “an urgent and immediate shortage of health care workers.”

Unsurprisingly, SB 525 is fiercely contested: opponents argue the wage requirements would be unsustainable for healthcare providers struggling to deal with inflation and low state and federal reimbursement rates. The Bill’s dissenters believe SB 525 would lead to billions in increased labor costs for public and private healthcare entities that would only continue to increase over time and that in order to combat the wage compression that would result, healthcare entities would be forced to raise pay for other healthcare workers who already make more than \$25 per hour as well. State and local government-run facilities (e.g., state and county hospitals, correctional facilities) would also be impacted by increased employee labor costs. With California hospitals already struggling to recover from the COVID-19 pandemic, advocacy groups caution that SB 525 could lead to even more revenue cuts and, potentially, closures; one report¹⁰ suggests that one in five hospitals in California were at risk of closure in 2022.¹¹ Rural healthcare facilities have also warned that compliance could be particularly difficult and may lead to staff layoffs (which would offset the increased pay for many people), decreased hours of operation, or elimination of certain clinical services. One study suggests that increased staffing costs may ultimately be passed on to patients and third-party payers.¹² The financial difficulties that may accompany SB 525 could ultimately discourage investment into the healthcare system at a time when hospitals and other healthcare entities are in desperate need of operating capital.

Given the Bill’s target start date of June 1, 2024, SB 525’s fate could be decided in the coming weeks as the California legislative session moves towards adjournment in September. The Bill was passed in the California Senate in May 2023 and sent to the

⁹ New York’s bill results in an increase of \$2.65 for its downstate counties and \$1.10 for the remainder of the state.

¹⁰ Proposed Health Care Minimum Wage Increase: What It Would Mean for Workers, Patients, and Industry (Apr. 11, 2023), available [here](#).

¹¹ The full report is available [here](#).

¹² Economic and Fiscal Impacts of SB 525 (May 2023), available [here](#).

California Assembly for consideration. Should the Assembly pass SB 525 in its current form, however, the Bill will need to return to the Senate before it can move to the Governor's office, because it was amended by the Assembly in early July.

We will continue to monitor the Bill's progress.

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Please do not hesitate to contact us with any questions.



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