



# Half an Hour for Health Care

## *Part 3: New Minimum Wage Law: Where Are We Now?*

June 12, 2025

**Seyfarth Shaw LLP**

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# Speakers

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# Agenda

- 1 | Background & Scope
- 2 | Minimum Wage Obligations
- 3 | Considerations for Employers



A close-up photograph of a medical bag. A black stethoscope with silver-colored metal tubing and a chest piece is resting on a brown canvas bag. The bag has several metal buckles and straps. In the background, a white hospital gown is visible, and a portion of a black blood pressure cuff is seen at the top right. The lighting is soft, creating gentle shadows.

# Background & Scope

# Background

- S.B. 525 passed September 14, 2023
- Codified in Labor Code §§1182.14, 1182.15, 1182.16
- Four wage schedules based on employer type
- Phase 1 began October 16, 2024
- Many facilities will face next wage increase on **July 1, 2025**

# Scope – Covered Health Care Employers

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## Hospitals:

- Licensed general acute care hospitals
- Licensed acute psychiatric hospitals
- Psychiatric health facilities
- Other “special hospitals” (none currently operating in CA)

## Home Health Care (residential settings):

- Workers providing in-home care for acute or psychiatric hospitals are covered
- Skilled Nursing Facilities (SNFs) covered if owned/operated by a hospital or integrated system
- Residential Care Facilities for the Elderly covered if:
  - Affiliated with acute care provider; OR
  - Owned/operated/controlled by acute/psychiatric hospital or their parent
- Licensed home health care agencies are covered

## Physician Groups:

- Medical practices with 25 or more physicians

## Other Covered Facilities:

- Mental Health Rehabilitation Centers
- County mental health facilities
- County correctional facilities that provide health care
- Outpatient clinics

## Scope – “*Integrated Health Care Delivery Systems*”

### Integrated Health Care Delivery Systems defined to include:

- One or more hospitals, *and*
- One or more other related entities such as:
  - Physician groups
  - Health care service plans (like insurance or managed care)
  - Medical foundation clinics
  - Other health care facilities
  - Or any other organization that either provides health care or supports health care delivery

# Scope – “*Integrated Health Care Delivery Systems*” (cont.)

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## How are these entities connected?

- To be considered one system, these hospitals and other entities have to be connected in one of the following ways:
  - Ownership or Management Link:
    - The entities are related through parent-subsidary relationships,
    - They have joint or common ownership or control,
    - They share branding (use the same trade name),
    - They have common boards of directors or shared senior leadership.
  - Contractual Relationship with Common Branding:
    - They have contracts with each other (for example, a physician group contracts with a hospital or health plan),
    - And they operate under a common trade name (branding).
  - Nonprofit Health Plan with Exclusive Regional Physician Groups:
    - A nonprofit health care service plan serves patients in a specific geographic area,
    - It works with an affiliated hospital system,
    - It contracts with only one physician group per region to provide care to most of the plan’s members in that region.

## Scope – Covered Health Care Employees

- Defended broadly: “covered health care employee”:
  - “health care services” or
  - “services supporting the provision of health care”
- **Health care services** includes → nursing; caregiving; services provided by medical residents, interns, or fellows
- **Services supporting the provision of health care** includes → technical and ancillary services; janitorial work, housekeeping; groundskeeping; guard duties; business office clerical work; food services; laundry; medical coding and billing; call center and warehouse work; scheduling; and gift shop work

## Scope – Covered Contractors

**Contracted** and **subcontracted** employees are covered if:

- (1) provide health care services or services supporting the provision of healthcare
- (2) employer (i.e. the contractor or subcontractor) contracts with a “covered health care facility” to provide health care services or services supporting the provision of health care
- (3) health care facility operates as a joint employer of the worker **OR** the worker spends **more than 50% of their time** in a workweek performing work at the covered health care facility

# Scope – Example: Janitor Split Time Between Sites

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- Janitor works part of the week at a covered health care facility, and part at non-health care sites (e.g., office buildings)
  - Determine Weekly Time Allocation:
    - What % of workweek spent at the covered health care facility
  - Apply 50% Rule:
    - More than 50% → Health care minimum wage applies for all hours worked at the covered facility that week, regardless of employer
    - 50% or less → Health care minimum wage applies only to hours at facility, and only if facility is employer or joint employer
  - Note: Special Rule for Public Employers:
    - Public employee janitor working >50% of week at covered facility → Receives health care minimum wage for all hours that week—not just time at the facility



# Minimum Wage Obligations

# Minimum Wage Obligations – Schedule 1

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## Entities:

- Hospitals or integrated health care delivery systems with
- 10,000+ full-time employees
  - (NOTE: this list of facilities maintained by Department of Health Care Access and Information)
- Skilled nursing facilities operated by these large systems
- Dialysis clinics
- Health care facilities run by large counties (population over 5 million)

## Wage Schedule:

- 10/16/24\*\* – 6/30/25: \$23
- 7/1/25 – 6/30/26: \$24
- 7/1/26 – 12/31/27: \$25
- 1/1/28 onward: Adjusted annually for inflation

\*\*Health care facilities run by large counties (population over 5 million) → start date effective 1/1/25, not 10/16/24

# Minimum Wage Obligations – Schedule 2

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## Entities:

- Safety Net Hospitals
- Facilities run by small counties (population under 250,000)

## Wage Schedule:

- 10/16/24\*\* – 6/30/25: \$18
- 7/1/25 – 6/30/33: Annual increases of 3.5%
- 7/1/33 – 12/31/34: \$25
- 1/1/35 onward: Adjusted annually for inflation

\*\*Facilities run by small counties (population under 250,000) → start date effective 1/1/25, not 10/16/24

# Minimum Wage Obligations – Schedule 3

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## Entities:

- Intermittent clinics
- Community clinics
- Rural health clinics
- Urgent care clinics associated with community/rural health clinics

## Wage Schedule:

- 10/16/24 – 6/30/26: \$21
- 7/1/26 to 6/30/27: \$22
- 7/1/27 to 12/31/28: \$25
- 1/1/29: adjusted for inflation each year

# Minimum Wage Obligations – Schedule 4

## Entities:

- All other covered health care facilities\* not listed in another category and not run by counties
- Facilities run by medium-sized counties (population between 250,000 and 5 million)
- \*SNF caveat → Skilled nursing facilities that are not owned/operated/controlled by a hospital or health care system not currently included.
  - This wage schedule only takes effect if a separate patient care minimum spending requirement is passed

## Wage Schedule:

- 10/16/24\*\* – 6/30/26: \$21
- 7/1/26 – 6/30/28: \$23
- 7/1/28 – 12/31/29: \$25
- 1/1/30 onward: Adjusted for inflation

\*\*Facilities run by medium-sized counties (population between 250,000 and 5 million) → start date effective 1/1/25, not 10/16/24

## Clarifications – Safety Net Hospitals

- A facility qualifies as a **Safety Net Hospital** if it meets one of these criteria:
  - A **hospital** with a “**high**” governmental payor mix
    - → Over 90% of patients are Medicare or Medi-Cal
  - An **independent hospital** with an “**elevated**” payor mix
    - → Over 75% of patients are Medicare/Medi-Cal
  - It’s a **rural, independent** covered health care facility
- List maintained by Department of Health Care Access and Information

# Clarifications – Mental Health Facilities

- Employees providing **mental health services** are covered if they work for a covered health care facility.
- Covered Facilities:
  - Facilities Specializing in Mental Health Services:
    - Psychology Clinics (nonprofit)
    - Mental Health Rehabilitation Centers
    - Psychiatric Hospitals
    - Psychiatric Health Facilities
    - County Mental Health Facilities
  - Mental Health Providers at Covered Clinics:
    - Community Clinics
    - Intermittent Clinics
  - Mental Health Workers at General Health Facilities:
    - Example: Substance abuse counselors, psychologists, and psychiatrists working in hospitals
- **Not Covered** → Small private practices or nonprofit organizations not affiliated with a covered facility (e.g., stand-alone therapy practices)

# Considerations for Employers

## Considerations – Salaried Employees + Meal Credits

- Impact on Salaried Employees
  - To be exempt from overtime, must earn a salary of at least 1.5× the new health care minimum wage or 2× the state minimum wage (whichever is greater).
- Employers cannot increase meal or lodging credits under the new health care minimum wage law. Only credits allowed under the statewide minimum wage apply.

## Considerations – CBAs + Waiver Program

- Impact on collective bargaining agreements
- Waiver Program – select eligibility (e.g. community clinics, rural health clinics)
  - Applications closed September 20, 2024
  - Delays wage increase from \$21/hr (July 2024) to \$21/hr (July 2025)
  - Additional wage increases are also shifted forward by 12 months → waivers can be renewed annually until July 1, 2032

# Considerations – Notice Requirements

- Posting Requirements:
  - Employers covered by the law must post the Health Care Minimum Wage Supplement to the existing minimum wage order.
  - The supplement must be posted on the effective date of the first wage increase.
- Employee Notification:
  - Employers must provide a written notice to employees → Outlining the minimum wage schedule that applies
  - Effective date of law: October 16, 2024
- Additional Requirements for Waiver Recipients:
  - If a facility is granted a **waiver**, it must: (1) post the waiver in a conspicuous location within 10 days; (2) provide written notice to each covered health care worker stating the waiver was received and listing the applicable delayed minimum wage

PLEASE POST NEXT TO YOUR IWC INDUSTRY OR OCCUPATION ORDER

Amends General Minimum Wage Order and IWC Industry and Occupation Orders

**OFFICIAL NOTICE**

**California Minimum Wage**

MW-2024

**SUPPLEMENT FOR COVERED HEALTH CARE EMPLOYEES**

Every covered healthcare facility employer shall pay to each employee wages not less than the following:

Minimum Wages Effective as of October 16, 2024:	
Health care facilities with 10,000 or more full time equivalent employees	\$23 per hour
Dialysis clinics	\$23 per hour
Hospitals with a higher governmental payor mix, independent hospitals with an elevated governmental payor mix, or rural independent health care facilities	\$18 per hour
Intermittent clinics, community clinics, rural health clinics, or urgent care clinics associated with community or rural health clinics except for those that have been granted a waiver to postpone the minimum wage increase	\$21 per hour
Other covered health care facilities (see below for delays and exclusions)	\$21 per hour

**Additional information regarding the healthcare minimum wage, including the types of health care facilities covered, may be found here: [Health Care Worker Minimum Wage Frequently Asked Questions](#)**

**SUMMARY OF ACTIONS**

TAKE NOTICE that the Governor of California signed legislation passed by the California Legislature, raising the minimum wage payable by certain health care facility employers (SB 525, Ch. 890 Stats. 2023; SB 828, Ch. 12, Stats. 2024; and SB 159, Ch. 40, Stats. 2024). Pursuant to its authority to conform MW-2024 to recently enacted SB 525, SB 828, and SB 159, the Department of Industrial Relations publishes this Supplement to the General Minimum Wage Order, MW-2024 for covered health care employees.

This Supplement must be made available to employees in accordance with the IWC's wage orders. Copies of the full text of the amended wage orders may be obtained by downloading online at <https://www.dir.ca.gov/iwc/WageOrderIndustries.htm> or by contacting your local Labor Commissioner's office.

**1. APPLICABILITY**

This Supplement only applies to covered health care employees under Part 4 of Division 2 of the Labor Code (commencing with Labor Code section 1182.14). This order incorporates the definitions of terms in Labor Code section 1182.14(b).

**2. MINIMUM WAGES**

Except as provided in Subsection (E) of this section and pursuant to definitions, coverage requirements, conditions, and exceptions provided in **Labor Code section 1182.14**, Health care facility employers shall pay to each employee wages not less than the following, on each effective date, per hour for all hours worked.

(A) For any covered health care facility employer with 10,000 or more full-time equivalent employees; that is part of an integrated health care delivery system or health care system with 10,000 or more full-time equivalent employees; that is a dialysis clinic as defined in subdivision (b) of section 1204 of the Health and Safety Code or that is a person that owns, controls, or operates a dialysis clinic, or that is owned, affiliated, or operated by a county with a population of more than 5 million as of January 1, 2023, the minimum wage for all covered health care employees shall be as follows:

- (1) From October 16, 2024 to June 30, 2025, inclusive, twenty-three dollars (\$23) per hour.
- (2) From July 1, 2025 to June 30, 2026, inclusive, twenty-four dollars (\$24) per hour.
- (3) From July 1, 2026 and until adjusted for inflation, twenty-five dollars (\$25) per hour.

For information regarding lists of health care facilities with 10,000 or more full-time equivalent employees, visit: [https://hcai.ca.gov/wp-content/uploads/2024/04/SB-525-Fact-Sheet-HCAI-Hospital-Lists-04\\_23\\_24.pdf](https://hcai.ca.gov/wp-content/uploads/2024/04/SB-525-Fact-Sheet-HCAI-Hospital-Lists-04_23_24.pdf)

(B) For any hospital that is a hospital with a high governmental payor mix; an independent hospital with an elevated governmental payor mix; a rural independent covered health care facility or a health care facility that is owned, affiliated, or

## Considerations – Employee Remedies

- Employer carries burden of showing employee is not entitled to health care minimum wage
- Remedies Available to Employees:
  - File Individual Wage Claim with Labor Commissioner (DLSE)
  - File Report of Labor Law Violation
  - File Lawsuit and/or Bring Arbitration Demand (if applicable)

## Considerations – Preemption

- No Higher Wage for Only Health Care Workers:
  - Cities/counties cannot pass ordinances setting a higher minimum wage solely for health care workers covered by the state law.
- Local Minimum Wages Still Apply:
  - If a local minimum wage is higher than the state health care minimum wage, employers must pay the higher local rate.
  - Applies when the local ordinance is:
    - A general minimum wage (for all employees), or
    - A sector-specific minimum wage that excludes covered health care workers

# Resources

- Department of Health Care Access and Information:
  - List of 12 covered health care facility employers and integrated health care delivery systems with 10,000 or more full-time equivalent employees
  - List of 86 hospitals that qualify as “safety net hospitals”
- Sign Up for DIR Updates → <https://www.dir.ca.gov/email/listsub.asp>

[Department of Industrial Relations](#) / [Get Email Notices](#)

## Get Email Notices

### Subscribe to a List

Enter your e-mail address, your first and last name if you wish, and your confirmation e-mail and you will become a member of the

Your E-mail Address (Required):

### Your Name (Optional)

First:

Last:

### DIR Careers

Sign up for career announcements and updates

### Press Releases / Newslines

DIR News Releases

# Upcoming *Half an Hour for Health Care Sessions*

## Webinar: September 2025

- *Stay tuned for updates*





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you**

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