

SENATE THIRD READING  
SB 525 (Durazo)  
As Amended September 11, 2023  
Majority vote

## SUMMARY

Establishes a health care employee minimum wage with various phase-in schedules based upon a classification system using factors such as health care facility size, type of facility, and the governmental payor mix percentage, as described. Provides a process for a specified hospital to appeal exclusion from certain classifications and a waiver process for a clinic to obtain a temporary pause or alternative phase-in schedule.

### Major Provisions

- 1) Defines "covered health care employee" to mean either of the following:
  - a) An employee of a health care facility employer who provides patient care, healthcare services, or services supporting the provision of health care, which includes, but is not be limited to, employees performing work in the occupation of a nurse; physician; caregiver; medical resident, intern, or fellow; patient care technician; janitor; housekeeping staff person; groundskeeper; guard; clerical worker; nonmanagerial administrative worker; food services worker; gift shop worker; technical and ancillary services worker; medical coding and medical billing personnel; scheduler; call center and warehouse worker; and laundry worker, regardless of formal job title.
  - b) A contracted or subcontracted employee if all of the following apply:
    - i) The employee's employer contracts with the health care facility employer, or with a contractor or subcontractor to the health care facility employer, to provide health care services, or services supporting the provision of health care.
    - ii) The health care facility employer directly or indirectly, or through an agent or any other person, exercises control over the employee's wages, hours or working conditions.
- 2) Provides that all employees performing contracted or subcontracted work primarily on the premises of health care facility to provide health care services or services supporting the provision of care are also covered health care employees.
- 3) Provides that "covered health care employment" does not include:
  - a) Employment as an outside salesperson.
  - b) Any work performed in the public sector where the primary duties performed are not health care services.
  - c) Delivery or waste collection work on the premises of a covered health care facility, provided that the delivery or waste collection worker is not an employee of any person that owns, controls, or operates a covered health care facility.

- d) Medical transportation services in or out of a covered health care facility, as specified.
- 4) Defines "employer" to mean a person who directly or indirectly, or through an agent or any other person, employs or exercises control over the wages, hours, or working conditions of any person. "Employer" includes the state, political subdivisions of the state, the University of California, and municipalities.
- 5) Defines a "hospital with a high governmental payor mix" to mean a licensed acute care hospital, as defined, where the combined Medicare and Medi-Cal payor mix is 90% or greater, as determined by using the adjusted patient days from the Department of Health Care Access and Information (DHCAI) annual financial disclosure report as recorded and calculated as of January 1, 2022, as per the DHCAI guidance. A hospital will qualify pursuant to this paragraph only if the combined payor mix of both the hospital and the health care system to which it belongs, if any, is 90% or greater.
- 6) Defines an "independent hospital with an elevated governmental payor mix" to mean all of the following:
- a) A hospital, as specified, where the combined Medicare and Medi-Cal payor mix is 75% or greater as determined by using the adjusted patient days from the DHCAI annual financial disclosure report as recorded and calculated as of January 1, 2022, as per the DHCAI guidance.
  - b) The hospital is not owned, controlled, or operated by any parent entity with two or more separately licensed hospitals.
- 7) Defines "rural independent covered health care facility" to mean a hospital that is not part of an integrated health care delivery system and is not owned, controlled, or operated by any parent entity with two or more separately licensed hospitals and any of the following:
- a) A hospital that is located in a county that is not designated as a metropolitan core-based statistical area.
  - b) A small and rural hospital, as defined.
  - c) A rural general acute care hospital, as described in the Health and Safety Code.
- 8) Provides that for any covered health care facility employer with 10,000 or more full time equivalent employees, or any covered health care facility employer that is a part of an integrated health care delivery system or a health care system with 10,000 or more full time equivalent employees, any covered health care facility employer that is a dialysis clinic, as described, or a covered health facility owned, affiliated or operated by a county with a population of more than five million people as of January 1, 2023, the minimum wage for all covered health care employees shall be as follows:
- a) From June 1, 2024, to May 31, 2025, inclusive, \$23 per hour.
  - b) From June 1, 2025, to May 31, 2026, inclusive, \$24 per hour.
  - c) From June 1, 2026, and until adjusted pursuant to 15), below, \$25 per hour.

- 9) Provides that for any hospital that is a hospital with a high governmental payor mix, an independent hospital with an elevated governmental payor mix, or a rural independent covered health care facility, or a covered health care facility that is owned, affiliated, or operated by a county with a population of less than 250,000 as of January 1, 2023, the minimum wage for all covered health care employees shall be as follows:
  - a) From June 1, 2024, to May 31, 2033, inclusive, \$18 per hour, with 3.5% increases annually.
  - b) From June 1, 2033, and until adjusted as required by this bill, \$25 per hour.
- 10) Provides that for a health care facility that is a specified free clinic that is not directly conducted or maintained by a governmental entity, a community clinic and associated intermittent clinic, as defined, a rural health clinic, as defined, and an urgent care clinic, as defined, the minimum wage for all covered health care employees shall be as follows:
  - a) From June 1, 2024, to May 31, 2026, inclusive, \$21 per hour.
  - b) From June 1, 2026, to May 31, 2027, inclusive, \$22 per hour.
  - c) From June 1, 2027, and until adjusted as required by this bill, \$25 per hour.
- 11) Provides that for all other covered health care facility employers, the minimum wage for all covered health care employees shall be as follows:
  - a) From June 1, 2024, to May 31, 2026, inclusive, \$21 per hour.
  - b) From June 1, 2026, to May 31, 2028, inclusive, \$23 per hour.
  - c) From June 1, 2028, and until adjusted as required by this bill, \$25 per hour.
- 12) Provides a delayed implementation date of January 1, 2025, for any covered health care facility that is county-owned, affiliated, or operated to implement the applicable wage schedule as set forth in 8) through 11), above.
- 13) Provides that for a health care facility that is a licensed skilled nursing facility, as defined, the minimum wage for all covered health care employees shall be as follows:
  - a) From June 1, 2024, to May 31, 2026, inclusive, \$21 per hour.
  - b) From June 1, 2026, to May 31, 2028, inclusive, \$23 per hour.
  - c) From June 1, 2028, and until adjusted pursuant to 15), below, \$25 per hour.
- 14) States that the wage schedule in 13), above, shall only take effect when a patient care minimum spending requirement applicable to these skilled nursing facilities is in effect.
- 15) Provides that, following the implementation of the minimum wage increases, on or before August 1 of the following year, and on or before each August 1 thereafter, the Director of Finance shall calculate an adjusted minimum wage. The calculation shall increase the health care minimum wage by the lesser of 3.5% or the rate of change in the averages of the most

recent July 1 to June 30, inclusive, period over the preceding July 1 to June 30, inclusive, period for the United States Bureau of Labor Statistics nonseasonally adjusted United States Consumer Price Index for Urban Wage Earners and Clerical Workers (U.S. CPI-W). Each adjusted minimum wage increase shall take effect on the following January 1.

- 16) Outlines a process for the DHCAI, on or before January 31, 2024, to publish lists of covered health care facility employers described in 8), above, but excluding dialysis clinics, and 9), above.
- 17) Creates procedures for a covered health care facility to appeal its exclusion from the category of facility described in 9), above.
- 18) Permits the adoption of any necessary implementing rules and regulations as emergency regulations until January 1, 2025. The process to prepare these rules and regulations shall include consideration of stakeholder input, as specified.
- 19) Establishes, by March 1, 2024, a waiver program, developed by specified departments, to allow a covered health care facility that is a clinic described in 10), above, to apply for a one year temporary pause or alternative phase-in schedule of the minimum wage requirements. This waiver may be renewed, as specified.
- 20) States that the terms of a temporary pause or alternative phase-in schedule is solely and exclusively within the authority of the Department of Industrial Relations.
- 21) Requires a waiver applicant to demonstrate that compliance with the minimum wage schedule would raise doubts as to its ability to continue as a going concern under generally accepted accounting principles. Evidence of financial condition shall be provided, including the actual or potential direct financial impact of compliance. The Department of Health Care Services has sole and exclusive authority over this part.
- 22) Requires the consideration of additional factors in the application for a waiver, including, but not limited to, the actual or likely closure of the facility, the actual or likely loss of jobs, and the impact on services in the region or service area.
- 23) Provides that this bill preempts a local ordinance, regulation, or administrative action that relates to wages, salary, or compensation for covered health care facility employees, as specified, including those laws in effect after September 6, 2023. Such laws shall not be enacted or enforced in or by any city, county, city and county, including those entities with a charter. A local law enacted after September 6, 2023, is void.
- 24) Limits this bill's preemptive power by providing specified exceptions, such as permitting local jurisdictions that employ health care workers to establish higher wage, salary, or compensation rates for its employees or contracted employees.
- 25) Provides a January 1, 2034, sunset date for the preemption of local laws establishing or enforcing a minimum wage for covered health care facility employees and a January 1, 2030, sunset date for local laws limiting or otherwise relating to compensation for covered health care facility employees.

- 26) Provides that a health care worker minimum wage shall be enforceable by the Labor Commissioner or by a covered worker through a civil action, through the same means and with the same relief available for violation of any other state minimum wage requirement.

## COMMENTS

The COVID-19 pandemic, increasing demands, inadequate pay, and staffing shortages have overwhelmed an already taxed health care workforce. The impacts of the staffing crisis are being felt by healthcare workers and those they care for. In a survey of over 30,000 healthcare worker members of SEIU-UHW, 83% of respondents said their department is understaffed.<sup>1</sup> Staffing shortages have a direct impact on patient care: the number of central line-associated bloodstream infections increased 28% in the second quarter of 2020 compared to the same period in 2019, while rates of patient falls rose by 17% and pressure injuries increased by nearly 42% at skilled nursing facilities during the same period.<sup>2</sup>

The impact of raising low-income health care worker wages cannot be underscored. Under this measure, assuming a \$25 minimum wage, a covered health care worker would earn on average an additional \$10,300 a year.<sup>3</sup> This increase would reduce many workers' reliance on the state Medi-Cal program, thereby saving the state an estimated \$181 to \$363 million.<sup>4</sup>

### According to the Author

"Health care workers are essential at every point in our health care system, from sanitizing operating rooms to making sure patients in the hospital have healthy food to heal and feel better. Unfortunately, many have left the profession after facing the trauma and dangerous working conditions throughout the pandemic, and struggling with low pay.

The impacts of the staffing crisis are being felt by healthcare workers AND those they care for. Health care facilities cannot run their day-to-day operations, or recruit and retain staff, without addressing the needs of their workforce. If we want health equity, then we must pay health care workers a wage that allows them to live in the communities they serve."

The author further states that this bill will promote equity because "people of color and women make up a majority of our state's healthcare workforce, which means that they disproportionately bear the brunt of the low wages and understaffed healthcare facilities. According to a report done by the Health Resources and Services Administration, women are vastly over-represented in healthcare support occupations. Worldwide, women make up roughly 70% of all frontline health care workers, roles they maintain in addition to keeping families, communities, and economies functioning. Nationwide, 92% of medical assistants are women and 87% of nursing, psychiatric, and home health aides are women. Additionally, the California Commission on Women and Girls found that "women make up 58% of minimum wage workers and 56% of Americans living in poverty, thus ensuring that the 2022 inflation surge was not gender neutral."

---

<sup>1</sup> [https://seiuuhw.wpenginepowered.com/wp-content/uploads/2022/05/2022-04\\_Report\\_Staffing-Survey-10.1\\_DIGITAL.pdf](https://seiuuhw.wpenginepowered.com/wp-content/uploads/2022/05/2022-04_Report_Staffing-Survey-10.1_DIGITAL.pdf).

<sup>2</sup> <https://www.usnews.com/news/health-news/articles/2022-07-28/staff-shortages-choking-u-s-health-care-system>.

<sup>3</sup> *Ibid.* at 3.

<sup>4</sup> *Ibid.* at 8.

**Arguments in Support**

SEIU California, sponsor of this bill, states, "Staffing shortages not only add to the burden of an already stressed workforce by requiring workers to cover additional shifts or work with less help, but critically short staffing causes harm to the very patients that our members serve. An analysis of CDC data found that hospital infections rose from 2019 to 2020 due to staffing shortages and high patient caseloads. Additionally, 45% of patients have reported having trouble scheduling appointments. Both sources point to a negative impact on patient care due to a shortage of healthcare workers. Patients cannot wait: we must address the staffing shortage now."

Quality patient care requires strong staffing levels. SB 525 (Durazo) will bolster efforts

to fill the huge shortage of healthcare workers our state is facing by ensuring that health care workers are fairly compensated. By setting a \$25/hour minimum wage we can attract the workers we need to ensure we do not see a decline in quality of care for communities across California."

The California Hospital Association is in support, and states, "Delivering high-quality health care for all is at the heart of what California's hospitals do, and providing this lifesaving and life-changing care can only be done with the entire health care workforce. As amended, the California Hospital Association supports SB 525 because it strikes a critical balance between supporting workers and protecting jobs and access to care in some of California's most vulnerable communities."

As amended, SB 525 sets the highest minimum wage in the nation for all health care workers. Under the agreement, SB 525:

- 1) Increases the minimum wage to \$25 in 2026 for large hospitals and health systems, to \$25 in 2028 for other hospitals, and to \$25 no later than 2033 for hospitals that are rural or have a high government payer mix
- 2) Ensures broad equity in wages by having them set statewide and preempting local wage and compensation measures for health care providers
- 3) Clarifies that the bill applies to all workers doing most of their work on the premises of a hospital facility."

**Arguments in Opposition**

The Valley Industry and Commerce Association (VICA) is opposed, and states, "VICA is deeply concerned about the proposal, and we have expressed our concerns throughout LA County as cities have considered and implemented unequal wage ordinances. It is unfair and inequitable to target workers based on their employment and implement arbitrary and exclusionary measures like this proposal which does not uplift or promote greater economic security for our state."

**FISCAL COMMENTS**

No fiscal analysis is available for this bill as amended.

**VOTES**

**SENATE FLOOR: 21-11-8**

**YES:** Allen, Archuleta, Atkins, Becker, Bradford, Cortese, Durazo, Gonzalez, Hurtado, Laird, Limón, McGuire, Menjivar, Min, Padilla, Portantino, Skinner, Smallwood-Cuevas, Stern, Wahab, Wiener

**NO:** Alvarado-Gil, Dahle, Dodd, Glazer, Grove, Jones, Nguyen, Niello, Ochoa Bogh, Seyarto, Wilk

**ABS, ABST OR NV:** Ashby, Blakespear, Caballero, Eggman, Newman, Roth, Rubio, Umberg

**ASM LABOR AND EMPLOYMENT: 5-2-0**

**YES:** Kalra, Haney, Ortega, Reyes, Ward

**NO:** Flora, Chen

**ASM APPROPRIATIONS: 11-4-1**

**YES:** Holden, Bryan, Calderon, Wendy Carrillo, Mike Fong, Hart, Lowenthal, Papan, Pellerin, Weber, Wilson

**NO:** Megan Dahle, Dixon, Mathis, Sanchez

**ABS, ABST OR NV:** Soria

**UPDATED**

VERSION: September 11, 2023

CONSULTANT: Megan Lane / L. & E. / (916) 319-2091

FN: 0002394