

# California's July 1 Health Care Minimum Wage Increases And Their Impact On Exempt Employee Salary Thresholds

Insights

06.18.26

On July 1, 2026, the next round of scheduled increases under California's health care worker minimum wage law (SB 525) takes effect. Many provider organizations have prepared for the direct hourly wage impact. Fewer have focused on a knock-on effect that warrants attention: the minimum wage increase also changes the minimum annual salary required to classify nurse practitioners (NPs) and physician assistants (PAs) as exempt employees. This change will most directly impact part-time NP and PA arrangements.

## New Minimum Wage Rates

SB 525 created four separate minimum wage schedules with rates that vary by facility category. The table below summarizes the minimum wage for each category before and after July 1, 2026:

## PROFESSIONAL



**MICHAEL SHIMADA**  
Associate  
San Francisco

“Facility” Category	Before 7/1/26	On and aft
Large health systems (10,000+ FTEs), dialysis clinics, and facilities owned or operated by a county with a population over 5 million	\$24.00/hour	\$25.00
Hospitals with a high mix of Medi-Cal and Medicare patients, and rural independent hospitals	\$18.63/hour	\$19.28/ (with contin increases un reaches \$25/hc
Community clinics, rural health clinics, urgent care clinics, and other licensed clinics	\$21.00/hour	\$22.00
All other covered health care facilities, including physician groups with 25 or more physicians**	\$21.00/hour	\$23.00

\*\*Physician groups with 24 or fewer physicians remain exempt from SB 525.

### New Exempt Salary Thresholds for NPs and PAs

California requires an employee classified as exempt under the executive, administrative, or professional exemption earn a monthly salary equivalent to at least two times the state minimum wage for full-time employment. In 2026, with the state minimum wage at \$16.90 per hour, this formula yields an annual salary floor of \$70,304.

SB 525 layered on a second formula for employees of covered health care facilities: a covered exempt employee must earn a salary at least equal to the **greater** of: (1) 150% of the applicable health care worker minimum wage for full-time employment; and (2) 200% of the state minimum wage.

The upcoming July 1 minimum wage increase pushes the health care worker exempt salary threshold above the general \$70,304 floor for several facility categories. The new thresholds work out as follows:

- **Large health systems, dialysis clinics, and large-county facilities (\$25/hour):** \$78,000/year (150% × \$25 × 2,080 hours).
- **All other covered facilities, including physician groups with 25+ physicians (\$23/hour):** \$71,760/year (150% × \$23 × 2,080 hours).
- **Community clinics and similar clinics (\$22/hour):** \$68,640 under the health care formula, but the general \$70,304 floor still controls.

### Impact on Part-Time NPs and PAs

For full-time NPs and PAs in California, the new thresholds are likely a non-issue because market salaries typically exceed \$78,000. The exempt salary increase primarily impacts part-time NPs and PAs, who employers often classify as exempt. California law requires that the exempt salary minimum be calculated as though the employee works 40 hours per week, and

the California Division of Labor Standards Enforcement has long taken the position that the minimum salary cannot be prorated for part-time work. In other words, regardless of the number of hours a part-time employee actually works, that employee's salary must still meet or exceed the exempt salary threshold in order to qualify for exempt status under California law.

Take, for example, a 0.5 FTE NP employed by a physician group with 25+ physicians. Assume that NP currently makes \$70,304 per year because the physician group employer set the NP's wage at the current exempt salary minimum. Beginning July 1, that NP must make an annual salary of at least \$71,760 to remain eligible for exempt status.

### **Key Takeaways**

Covered health care employers should consider taking the following steps before July 1, 2026:

- **Identify Applicable Wage Rates:** Check whether any of the new health care worker minimum wage rates apply to your employees and, if so, identify whether you need to make any corresponding changes to (1) employees' hourly wages or (2) part-time exempt employees' annual salaries.
- **Reclassify As Needed:** If it is not practical to pay a part-time NP or PA the new exempt salary minimum, you should reclassify that employee as non-exempt and implement appropriate timekeeping, overtime, and meal and rest period compliance.

### **RELATED CAPABILITIES**

[Business Transactions](#)

[Compliance](#)

[Provider and Supplier Operations](#)

[Community-Based Clinics](#)

[Home Health](#)

[Hospitals and Health Systems](#)

[Physicians, Medical Groups, Medical Foundations, and Independent Practice Associations \(IPAs\)](#)