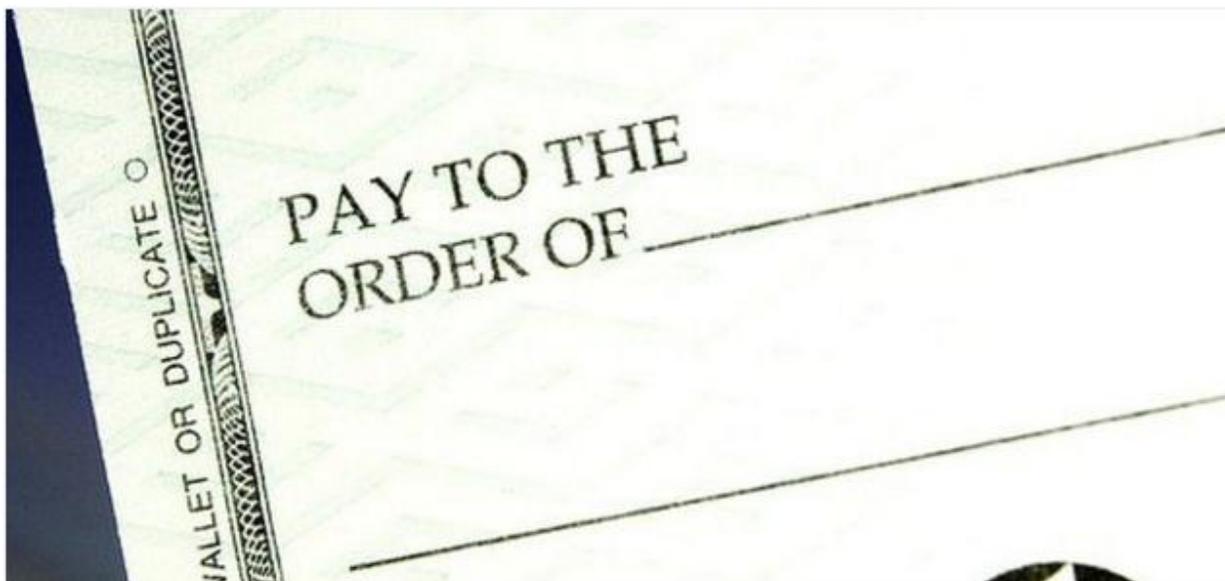




## 8 questions hospitals need to consider for minimum wage hikes to pay off

By [Julie Henry](#) | April 3, 2016 print



**M**inimum wage is a hot topic right now. Consider: UPMC announced its plan to increase the starting wage for entry level positions at most Pittsburgh facilities to \$15/hour by January 2021. California lawmakers voted to approve new legislation to raise the state's minimum wage to \$15/hour for all workers by 2022. It's an experiment unprecedented in scale and Gov. Jerry Brown (D) could sign the measure into law as early as Monday.

In addition, hospitals in New York are currently battling it out with legislators in an effort to get the state to fully fund its proposed statewide minimum wage increase. And that was just news from last week.

**Mark H. Van Brussel**, a partner at California employment law firm Carothers DiSante & Freudenberger LLP, says California's current hourly minimum wage of \$10 is already among the highest in the nation. "The effect of increasing already high wage rates by another 50% over the next six years cannot be underestimated," he says. "Employers in affluent pockets of the state will partially absorb the wage increase by passing it on to consumers, clients or patients in the form of higher prices. But hospitals and employers in the rest of the state, where minimum wage jobs are common, will face dramatic belt tightening as a result of the higher minimum wage."

## Preparing for the increase

**Van Brussel** says hospitals with minimum wage employees will need to prepare for the upcoming wage hikes in much the same way as other businesses. "Count your minimum wage workers, project the added expense of bumping their wages to the new state-mandated levels and analyze how to counter or mitigate this new costly rise in pay," he says. **Van Brussel** recommends hospitals ask the following questions when determining how to pay for the wage increases:

- Will you be able to pass on the higher cost through price adjustments to the goods or services you provide?
- Will you lay off workers and stretch the remaining workforce to absorb the duties of those laid off?
- Will you lower future hiring projections?
- Will you reduce or eliminate projected pay increases?
- Can you offset the increased minimum wage by paring down other benefits (e.g., reducing company-observed holidays, paid time off, vacation, paid sick leave, group health benefits, retirement benefits)?
- Can you find cheaper alternatives to the traditional full-time minimum wage worker, such as increased automation, increased use of independent contractors, outsourcing certain work to other companies, reducing full-time employees to part-time or alternative schedules or increasing the use of temporary help through staffing agencies?
- Will you close down less profitable operations?
- Will you "manage out" your less productive and lower performing workers, whatever their wage or salary level, to increase efficiency?

**Van Brussel** cautions that increasing pay for minimum wage employees might not sit well with higher-level workers. “Employees higher up in the chain will chafe if the hospital’s minimum wage workers enjoy wage increases while their own pay remains unchanged,” he says.

## **Will increasing wages pay off?**

Tim Hoff, professor of management, healthcare systems, and health policy, D’Amore McKim School of Business, believes dealing with a wage increase to \$15/hour will be worth it for hospitals in the long run. “Given the slim margins under which many hospitals operate, paying more across a range of job titles will require some rethinking of how such staff are deployed and which duties they should perform,” he says. “However, as these support staff typically represent most of the human resources we come into contact with and rely upon when in a hospital, paying them more will likely pay dividends for the level of service given to patients everywhere.”