

Compliance Directions

Seattle Hotel Ordinance Update: Healthcare Expenditure Rates for 2025 Released Gallagher

Seattle has announced the 2025 calendar-year health care expenditure rates that certain hotel industry employers must make on behalf of each covered employee for medical care. The Improving Access to Medical Care for Hotel Employees Ordinance (the Ordinance) ([SMC 14.28](#)), first took effect on July 1, 2020 and requires covered employers to make monthly healthcare expenditures to, or on behalf of, covered employees to increase their access to medical care. The amounts of the healthcare expenditure are adjusted each calendar year, and the Seattle Office of Labor Standards recently released the expenditure rates for 2025.

Employee category	2024 Rate	2025 Rate
Employee only	\$530 per month	\$561 per month
Employee with only dependents	\$902 per month	\$955 per month
Employee with only a spouse or domestic partner	\$1,062 per month	\$1,124 per month
Employee with a spouse or domestic partner and one or more dependents	\$1,592 per month	\$1,686 per month

Covered Employers

In general, covered employers under the Ordinance include those that own, control, or operate either a Seattle hotel or motel with 100 or more guest rooms or an “ancillary hotel business” of 50 or more employees worldwide.

Ancillary Hotel Business

Smaller ancillary hotel businesses (50 to 250 employees in any location) that contract with a hotel do not have to comply until July 1, 2025, or the start of the annual open enrollment for employee health coverage on or after that date.

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An ancillary hotel business is a business that has one or more of the following relationships with a covered hotel:

- Routinely contracts with a hotel to provide services in conjunction with the hotel's purpose;
- Leases or subleases space at the site of the hotel to provide services in conjunction with the hotel's purpose; or
- Provides food and beverages to hotel guests and to the public and has an entrance within the hotel.

A hotel's purpose is defined as services that further the hotel's provision of short-term lodging, which include food or beverage services, recreational services, conference rooms, convention services, laundry services, and parking.

Covered Employees

Employees are covered if they work for a covered employer in the City of Seattle for an average of at least 80 hours per month. Newly hired employees are not eligible until the sooner of 60 days from the date of hire, or the expiration of the waiting period for the employer-sponsored health plan. Managers, supervisors, and certain confidential employees are not included.

Employee Waivers

If an employee receives health coverage from another source (such as another employer-sponsored health plan) as either an employee of that employer or as a spouse, domestic partner, or dependent, then the employee can waive the offer of expenditure by the employer, and the employer will still meet the expenditure requirement. This provision only applies if the employee would not be required to pay more than 20% of the monthly required healthcare amount if the employee had instead elected employee-only coverage under the employer's health plan and signs a waiver.

General Requirements

Covered employers must make a monthly required healthcare expenditure to or on behalf of each covered employee in the amount of the 2025 rates and subject to annual adjustments based on the medical inflation rate.

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Healthcare Expenditure

Employers may satisfy their monthly obligation through one of the following forms:

- Additional compensation paid directly to the covered employee;
- Payments to a third party, such as to an insurance carrier or trust, or into a tax-favored health program (including health savings accounts (HSAs), medical savings accounts (MSAs), health flexible spending arrangements (FSAs), and health reimbursement arrangements (HRAs), to provide healthcare services; and/or
- Monthly expenditures for healthcare services by the employer's self-insured and/or self-funded insurance programs.

If the employer-sponsored plan's monthly cost is less than the monthly required health expenditure, then the employer is required to satisfy the remaining portion of the monthly health expenditure rate through one of the other forms of payment.

Nothing in the rules prevents an employer from offering an employee employer-sponsored health insurance in the event that an employee waives the employer's offer of the monthly required healthcare expenditure. This ordinance also does not require an employer to offer or provide employees with health insurance.

Poster

Employers are also required to display a poster in a conspicuous and accessible place at any workplace or job site where any of their employees work. The poster must be in English and in the primary languages of the employees at the particular workplace. The Seattle Office of Labor Standards has created posters in several languages available [HERE](#). (Updated 2025 posters will be available before the adjusted rates take effect on January 1, 2025.)

Litigation Status

The ERISA Industry Committee (ERIC) petitioned the U.S. Supreme Court to review the Ordinance to determine whether it is preempted under ERISA, after both the U.S. District Court for the Western District of Washington and the U.S. Court of Appeals for the Ninth Circuit held the Ordinance is not preempted by ERISA. The courts reasoned that the Ordinance does not require an employer to create an ERISA-covered plan since a covered employer may simply make an expenditure for healthcare services, which can include paying cash to employees. The Supreme Court declined the case for

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review in late 2022, allowing the ruling of the Court of Appeals to stand and the Ordinance to continue in effect.

More Information

The Ordinance rules are complex. More detailed information is available on the Office of Labor Standards website located [HERE](#).

The intent of this article is to provide general information on employee benefit issues. It should not be construed as legal advice and, as with any interpretation of law, plan sponsors should seek proper legal advice for application of these rules to their plans.