

# HSRP®: Economic Value of Diverting Hospital Supplies from Landfill

*Margin Protection Through Supply Recovery, Cost Avoidance, and Supply Chain Resilience*

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## Executive Summary

Hospitals are operating in a new financial reality where **supply chain disruption, cost inflation, labor inefficiency, and working-capital pressure have become recurring threats to margin performance**. Over the last five years, global shocks including the COVID-19 pandemic, pharmaceutical shortages, geopolitical conflict, climate events, and domestic manufacturing interruptions have repeatedly translated into **patient-level supply shortages, procedural delays, and significant EBITDA erosion**.

At the same time, hospitals continue to discard large quantities of sterile, unopened, and fully usable medical supplies, creating a hidden financial loss that compounds external supply volatility.

**The Hospital Supply Recovery Program (HSRP® \* Patent Pending)** addresses both challenges simultaneously by converting recoverable waste into usable on-hand inventory, immediate expense reduction, and measurable sustainability gains without requiring capital investment.

### The economic case is compelling:

- Recovered supply value: \$51.09 per lb
- Avoided landfill cost: \$0.03 per lb
- Diversion logistics value: \$0.56 per lb
- Total economic value: \$51.68 per lb
- Equivalent value per ton: \$103,360

This means that every ton of recoverable hospital supplies diverted from landfill preserves more than \$100,000 in healthcare resources while directly reducing dependence on volatile external procurement channels.

### Why This Matters Now

Healthcare supply disruption is no longer episodic.

Recent system-wide shocks have created:

- 8%–18% supply inflation during disruption periods
- \$8M–\$25M incremental annual supply spend

- 1%–3% operating margin erosion
- \$5M – \$15M annual revenue risk from delayed procedures
- \$10M – \$50M in excess working capital tied up in buffer inventory
- \$1M – \$5M in labor inefficiency from manual sourcing and substitutions

For many hospitals and health systems, this represents a \$25M–\$75M+ annual disruption risk envelope.

The strategic implication is clear:

**Supply disruption is now a recurring margin compression event, not an operational anomaly.**

**Hospitals that can recover usable inventory internally will be better positioned to protect patient care continuity, stabilize supply availability, and preserve EBITDA.**

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### **The Economic Value of Supply Diversion**

The financial return from supply recovery is driven by three measurable value streams:

#### **1) Recovered Purchase Value**

HSRP restores the original purchase value of sterile unopened supplies that would otherwise be discarded due to perceived contamination risk.

**Value recovered: \$51.09 per lb**

This creates an immediate offset to replacement purchasing costs.

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#### **2) Avoided Waste Disposal Expense**

Every pound diverted from landfill also avoids direct disposal costs.

**Avoided disposal cost: \$0.03 per lb**

While modest on a per-pound basis, this becomes meaningful at scale.

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#### **3) Diversion Handling & Logistics Optimization**

HSRP includes collection, inspection, sanitation, weighing, software documentation, and reintegration into supply flow.

**Net logistics-adjusted value: \$0.56 per lb**

This structured process ensures traceability, compliance, and operational scalability.

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## **Strategic Financial Impact for Hospitals**

Beyond direct recovery value, HSRP mitigates three core CFO-level risks:

### **Immediate Margin Protection**

Recovered inventory reduces the need for emergency procurement, spot buys, and freight premiums.

### **Typical annual benefit:**

- \$150K–\$500K recovered value per facility
- 30%–45% below replacement cost
- Immediate savings realization
- No capital investment required

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## **Supply Chain Risk Offset**

Recovered on-site supplies reduce dependency on:

- disrupted manufacturers
- backordered distributors
- freight volatility
- geopolitical instability
- inflationary replacement pricing

### **Estimated impact:**

- Offsets 10%–30% of disruption-related financial exposure
- Margin improvement: +0.5% to +1.5%

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## **Working Capital & Liquidity Improvement**

By recovering supplies already purchased, hospitals can improve:

- inventory turns
- cash conversion efficiency
- buffer stock utilization

- inventory availability without new spend

**This provides strategic liquidity support during supply shocks.**

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### **Sustainability + ESG Value**

Approximately 85% of hospital waste is non-hazardous and potentially recyclable or divertible, indicating that a significant portion of discarded material still retains economic value. \*American Medical Association Journal

#### **HSRP helps hospitals:**

- reduce landfill volume
- lower carbon footprint
- improve waste diversion metrics
- strengthen ESG reporting
- align with sustainability certification goals
- demonstrate responsible stewardship

**The result is a program that simultaneously supports:**

**financial performance + operational resilience + environmental leadership**

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### **Executive Takeaway**

The economic value of hospital supply diversion is no longer just a sustainability story.

**It is a margin protection, cash preservation, and supply resilience strategy.**

In a healthcare environment where global instability is driving recurring shortages and cost inflation, recovering sterile unopened supplies already purchased by the hospital is one of the fastest and lowest-risk ways to protect EBITDA.

**Bottom-line message for leadership:**

***Every ton of recoverable hospital supplies diverted from landfill preserves approximately \$103,360 in healthcare resources while reducing exposure to future supply disruption.***

***HSRP® transforms waste into immediate financial recovery, stronger supply continuity, and long-term strategic resilience.***

**Sources and Methodology:**

CSGI internal hospital supply recovery database, blended average recovered and procedural supplies, including resale/redeployment value, avoided disposal cost, and reverse logistics handling cost assumptions.

- Vizient sustainability sourcing benchmarks
- The Joint Commission waste reduction and reporting framework
- Practice Greenhealth Greening the OR waste benchmarks
- AHRMM supply chain cost optimization frameworks