MOAB HEALTHCARE

The Most Overlooked Margin Opportunity in Healthcare

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Hospital margins are stuck.

Not falling off a cliff. Not recovering, either. Stuck.

According to Kaufman Hall's April 2026 National Hospital Flash Report, the median hospital operating margin, including allocations, was 1.9% in February 2026, up slightly from 1.0% in January, but still far below what's needed to fund workforce, technology, and capital investment. National operating margin fell 13% year-over-year, comparing February 2026 to February 2025. Strata's most recent Monthly Healthcare Industry Financial Benchmarks report described the move from -0.3% to 0.4% between February and March as a “fragile recovery.”

Translation: most health systems aren't in crisis. They're in limbo.

And the pressure isn't falling evenly. Hospitals in the 26–99 bed range saw operating margins decline nearly 24% year-over-year, while systems with 500-plus beds were among the only groups posting gains. Scale is starting to matter more than it used to.

Most CEOs and CFOs have already pulled the obvious levers — labor cost controls, supply chain renegotiation, service line rationalization, revenue cycle tightening. Those levers still matter. But for many systems, they're close to fully pulled.

The next real opportunity for margin recovery isn't a new lever. It's one that's been sitting inside the hospital the whole time, mostly ignored: **Sterile Processing.**

A Financial Lever, Not Just an Operational One

For most health systems, the operating room is the single largest driver of margin. It's also the most capitalintensive asset in the building, and one of the hardest to expand. Adding an OR, a bed, or a surgical team takes years and tens of millions of dollars.

Sterile Processing determines how much of the OR capacity you already have, you actually get to use.

When SPD is running well, nobody notices. When it isn't, the entire surgical enterprise feels it — delayed first cases, missing or incomplete instrument trays, add-on cases pushed or cancelled, surgeons losing confidence in the schedule, and compliance exposure building quietly in the background.

The data here isn't abstract:

> In a national benchmark survey of more than 100 sterile processing and OR leaders, **58%** reported that surgical delays occur due to a lack of instrument and tray readiness.[1]
>
> A peer-reviewed study at a major academic health system found instrument-related errors caused delays averaging **10.16 minutes per affected case**, at an institution that valued each chargeable OR minute at **$153.** The result: an estimated **$6.75M to $9.42M a year in lost OR time** on that single campus alone.[2]

Run that rate across even a modest volume of delayed cases a month, and the number stops looking like an SPD problem and starts looking like a line item on the income statement.

The Opportunity Nobody Is Budgeting For

Ask most CXOs what's constraining surgical growth, and you'll hear about surgeon recruitment, block scheduling, or bed capacity. Few will mention Sterile Processing — even though, in that same benchmark survey, **just over 85% of sterile processing and OR leaders** said real-time visibility into surgical instrument tray locations could have a significant or transformational impact on their operation.1

That's the opportunity. Not a new building. Not a new service line. A materially better-run department that already exists, already touches every surgical case, and that most executive teams have never fully evaluated.

Done well, Sterile Processing transformation moves the same four numbers every CXO is already being measured on:

Capacity & Throughput

Fewer delays, fewer cancellations, more completed cases — without adding a single OR.

Revenue & Waste

Recovered chargeable OR time, lower instrument repair/replacement costs, less reliance on loaner trays and immediate-use sterilization.

Risk

Lower surgical site infection exposure, stronger survey readiness, fewer compliance findings before they become CMS findings.

Surgeon Satisfaction

A predictable, trustworthy schedule — one of the strongest retention tools for a hospital's highest-value clinical partners.

We've seen this play out inside organizations like Cleveland Clinic and Duke Health, where stabilizing the people, process, and oversight inside Sterile Processing has meant the difference between a surgical schedule the OR team trusts and one it quietly works around.

People, Process, Protection

Since 2018, Moab Healthcare has focused on exactly one thing: Sterile Processing. What we've learned, consistently, is that most hospitals don't have a people problem. They have a systems problem — talented staff working inside processes that were never fully standardized, measured, or resourced.

Our approach is built around closing that gap:

PEOPLE — Certified, experienced SPD professionals and leaders, averaging 7+ years of experience

PROCESS — Standardized workflows, tray optimization, and measurable performance

PROTECTION — Ongoing compliance, quality assurance, and survey readiness

Where Margin Recovery Actually Comes From in 2026

Margin recovery this year isn't going to come from one big move. It's going to come from finding the capacity, revenue, and risk reduction that's already inside your four walls — starting with the one department every surgical case has to pass through before it ever reaches a patient.

If you're not sure whether Sterile Processing is quietly constraining your surgical capacity, that's a worthwhile 20-minute conversation to have.

About Moab Healthcare

Moab Healthcare is a founder-owned healthcare services company dedicated exclusively to Sterile Processing. Through our People–Process–Protection approach, we help hospitals improve patient safety, strengthen infection prevention programs, enhance surgical performance, protect financial outcomes, and recover surgical capacity — without adding ORs, beds, or labor.

Because Sterile Processing Is All We Do.

Sources

1. Aesculap, Inc. and Ascendco Health, 2025 Surgical Asset Management Industry Benchmark Report(survey of 100+ sterile processing and OR leaders nationwide, Nov. 2025)
2. Nichol PF, et al., “Observed rates of surgical instrument errors point to visualization tasks as being acritically vulnerable point in sterile processing and a significant cause of lost chargeable ORminutes,” BMC Surgery, 2024;24:110
3. Kaufman Hall, April 2026 National Hospital Flash Report, as reported in Becker's Hospital Review, “Hospital profitability: 20 things to know in 2026” (May 11, 2026)
4. Strata Decision Technology, May 2026 Monthly Healthcare Industry Financial Benchmarks Report, as reported in the same Becker's Hospital Review article

Note: Source 2 is a single-institution study (one academic health system); its dollar figures are illustrative of what instrument-related delays can cost at scale, not a national average. Its data collection was supported in part by a grant from Beyond Clean, Inc., an organization serving the sterile processing industry.

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