

Cardinal surgical gown recall cost \$96M

Maia Anderson - Friday, February 7th, 2020 [Print](#) | [Email](#)

Cardinal Health's recall of millions of surgical gowns cost the company \$96 million, CEO Mike Kaufmann told analysts during the company's second-quarter earnings call Feb. 6, according to a [transcript](#) from investing advice company The Motley Fool.

Cardinal [recalled](#) 9.1 million surgical gowns Jan. 22, then [recalled](#) 2.5 million surgical kits containing the gowns Jan. 31.

The gowns were produced by two manufacturers that weren't registered with the FDA or qualified by Cardinal Health to make surgical gowns, so Cardinal couldn't ensure that the gowns were sterile.

Because of the recall, Cardinal reported a \$96 million charge on its second-quarter GAAP results, the company's best estimate on how much the recall will cost it.

Of that, \$56 million is for the cost of products sold and \$40 million is in nonproduction-related costs.

Mr. Kaufmann said the company isn't sure if the recall will have any impact on the company during the second half of the fiscal year.

He also offered an apology to all people affected by the recall.

"First and foremost, we apologize to our customers and their patients. We understand the gravity of this situation and are dedicated to resolving this issue as quickly as possible. Simultaneously, we are doing everything we can to prevent this from happening again," Mr. Kaufmann said.

He added that Cardinal is having third-party experts come in to review its quality assurance processes so it can work to make sure the issue that caused the recall doesn't happen again.

The company sent many of its own employees to hospitals and health centers to pull the recalled gowns and kits. Mr. Kaufmann said even the vice president of the company has been sent out to the field to pull the products.

"I believe that the way we're responding to this is really, really important," Mr. Kaufmann told analysts.

The company has also increased production of the gowns to make up for the recall.

Find the full transcript of the call [here](#).

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