Political Donations and Rent-Seeking: Evidence from the U.S. Health Insurance Industry

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Abstract

In recent years, health insurers' political contributions have increased substantially. Using health insurers' financial, regulatory, and campaign donation data, I find evidence for potential pay-to-play that health insurers donate to state officials for public insurance contracts and other regulatory favors. Using a corruption index based on news coverage, I find that insurers donating more to state officials receive higher Medicare and Medicaid premiums from states exhibiting higher levels of pre-existing corruption. McDonnell v. United States increased the standards for corruption prosecution in 2016, which impacts high-corruption states more than low-corruption states. My difference-in-differences tests show an increase in health insurers' contributions to politicians and their public insurance premiums from high-corruption states relative to those from low-corruption states after 2016. Insurers' donations are associated with more lenient regulation and better financial performance, but lower health care affordability and more suicides among socio-politically disadvantaged groups. The evidence for pay-to-play is stronger for highly leveraged insurers and for donations to federal election candidates. My results suggest the health costs of political rent-seeking, which more effective pay-to-play laws may alleviate.

Keywords: Campaign contribution; Corruption; Health insurer; Pay-to-play; Political rent-seeking

JEL Classification: D72; D73; H75; I10; I13

1. Introduction

In the U.S., rising health insurance premiums rank among the most pressing social issues.[1] Besides rising medical costs, causes of increasing health insurance premiums include rising industry concentration and regulatory loopholes (Dafny, Duggan, and Ramanarayanan, 2012; Decarolis, 2015; Kanimian and Ho, 2024). Various forms of political rent-seeking may also increase health insurance premiums, such as lobbying and revolving doors (Kanter and Carpenter, 2023; Steinbrook, 2009). I investigate whether campaign donations facilitate potential pay-to-play arrangements between state officials and health insurers. Due to state officials' discretionary power, health insurers may obtain MCO (Managed Care Organization) licenses, Medicaid contracts, and other benefits by donating to state officials' campaigns.

This mechanism of rent-seeking may be more common after recent campaign finance reform and technological changes. With greater campaign finance freedom, political campaign spending has skyrocketed since 2010, and insurers are among the top donors to political campaigns.[2] Escalating election costs may compel politicians to solicit campaign contributions more aggressively than in previous decades, as campaign spending is a crucial factor in electoral success (Jacobson and Carson, 2019). In addition, technological progress tends to shift firms' focus from production to rent-seeking (Glode and Ordonez, 2025). Widespread automation in health insurance companies may increase insurers' rent extraction from consumers (American Hospital Association, 2024; NAIC, 2025).

As pay-to-play practices are legal in some U.S. states and illegal in others, I study rent-seeking using the indirect approach based on empirical patterns, rather than the direct approach based on news reports or court cases. I use political donations data from the Database on Ideology, Money in Politics, and Elections (DIME) and insurers' financials and regulatory data from S&P Capital IQ Pro. My sample period spans from 2002 to 2022. Because insurers report their annual premiums in each state to the National Association of Insurance Commissioners

[1] According to KFF polling in 2024, around 50% of U.S. adults find health insurance and health care unaffordable.

[2] According to OpenSecrets, the cost of Congressional races increased from $3.6 billion in 2010 to $8.9 billion in 2022. Data from OpenSecrets also shows that the insurance industry is consistently the top campaign donor in recent election cycles, as on this website: https://www.opensecrets.org/political-action-committees-pacs/industry-detail/F/2022

(NAIC), their annual reports have higher data granularity than those of most other firms, which allows for sharper identification.

I show evidence consistent with pay-to-play arrangements between health insurers and state officials. First, I find that health insurers obtain significantly higher premiums when donating more to politicians from states with higher levels of pre-existing corruption, measured by a corruption index based on news coverage. Besides their total premiums, the interaction term between insurers' donations and state corruption is positively correlated with their Medicaid and Medicare premiums. States with higher levels of corruption tend to have weaker legal institutions and higher returns on rent-seeking, which may incentivize politicians to exchange public insurance contracts and other regulatory favors for campaign contributions. I find stronger results for Medicaid, perhaps because state officials can influence the contracting, pricing, and oversight of state-administered Medicaid more than those of federally administered Medicare.

Second, my difference-in-differences test results suggest that a higher corruption prosecution standard allows health insurers to exchange more political contributions for public insurance contracts in high-corruption states. The Supreme Court ruling on McDonnell v. United States in 2016 narrowed the definition of corruption and increased the standard for pay-to-play and bribery charges. For example, governors may connect insurers with insurance commissioners or health department officials in exchange for campaign contributions, which falls outside the Supreme Court's definition of corruption after 2016. High-corruption states tend to align their prosecutorial strategies with the narrowed federal standard after 2016, which reduces risks of corruption charges and increases returns to pay-to-play. In contrast, low-corruption states tend to have better legal institutions, which reduce the impact of McDonnell v. United States in their states. Using a difference-in-differences framework, I find that McDonnell v. United States leads to a statistically significant increase in health insurers' contributions to politicians from high-corruption states relative to those from low-corruption states. In addition, health insurers' Medicaid and Medicare premiums from high-corruption states increase by around $15 million relative to those from low-corruption states after 2016.

Third, highly leveraged insurers experience a larger increase in their Medicaid and Medicare premiums from high-corruption states following McDonnell v. United States. As political contributions are highly risky investments (Gordon, Hafer, and Landa, 2007), the asset substitution hypothesis predicts that shareholders of highly levered firms tend to gamble at debtholders' expense by seeking political favors. After 2016, highly levered insurers' Medicaid and Medicare premiums from high-corruption states increase by $31 million and $32 million, respectively, relative to those from low-corruption states. However, their total premiums from high-corruption states do not relatively change, which suggests that highly leveraged insurers' revenue composition shifts toward public insurance after 2016. Looser anti-corruption laws may incentivize politicians to award public insurance contracts to highly leveraged insurers, which could increase the risks of reimbursement failure and health care disruption.

Fourth, I show that insurers receive more lenient financial regulations by donating to state officials, especially those from high-corruption states. Upon finding governance issues or excessive risks, insurance commissioners from insurers' domicile states are required to issue regulatory guidance, which includes corrective actions. I find that insurers' political donations are associated with less regulatory guidance, especially in high-corruption states. By donating to state officials, insurers may reduce their risk management costs.

Overall, the findings suggest a pay-to-play mechanism in the health insurance industry. Using their discretionary power and networks, state officials who receive donations from insurers may directly or indirectly offer regulatory slack and approve more of their license applications, rate increase requests, and contract proposals. The effects are stronger for donations to federal than local elections, which may be due to politicians' career concerns. State officials running for federal positions expect less scrutiny from local constituencies, which may incentivize rent extraction over accountability. In contrast, state officials running for re-election have stronger local career concerns, which increase their accountability. The results are also stronger for donations to candidates than to political committees, potentially because quid pro quo is less feasible with diffuse committees than with individual politicians.

Finally, I show the real effects of pay-to-play on insurers and consumers. I find that insurers' donations are associated with higher financial performance, measured by ROA and

operating ROE. I obtain qualitatively similar results after changing total donations across states to donations weighted by state-level corruption index, the latter of which reflects insurers' tendency to donate to high-corruption states. A percentage point increase in insurers' corruption-weighted contributions to federal elections is associated with 9.4 percentage points' increase in their operating ROE in the next election cycle.

In addition, health insurers' political donations correlate with higher health care costs and more suicides, based on health survey data from the Kaiser Family Foundation (KFF). If political donations distort resource allocation and increase health care costs, psychological distress and suicides may rise. In high-corruption states with high donations from health insurers, I find higher percentages of adults who cannot afford doctor visits than in other states, which is significant for Hispanics and Blacks, but not for whites. In high-corruption states with high insurer donations, the number of suicides is 55-59 higher among all adults, 35-38 higher among males, and 18 higher among females, on top of the effects of high donations or high corruption alone. The incremental male-to-female suicide rate of 2 is below the average rate of 4, indicating a stronger impact on females.[3] These results suggest that health insurers benefit from political donations but pass the health costs onto consumers, especially socio-politically disadvantaged groups with relatively low incomes.

This paper adds to the literature on political rent-seeking. Rent-seeking in the insurance industry is relatively understudied, with Tenekedjieva (2021) documenting revolving doors. The career-driven quid pro quo I document differs from revolving doors in that state officials use their regulatory power to further their political career, rather than obtain private sector jobs. Firms may donate to politicians to obtain government contracts (Ayyagari, Knill, and Syvrud, 2024; Butler et al., 2009), public funding (Adelino and Dinc, 2014; Duchin and Sosyura, 2012), meetings with politicians (Kalla and Broockman, 2016), access to bank finance (Claessens, Feijen, and Laeven, 2008), and regulatory leniency (Fulmer, Knill, and Yu, 2023).

I add to the debate on pay-to-play regulations. Some argue against corruption having distortionary effects (Leff, 1964; Lui, 1985; Weaver, 2021), while others show its negative

[3] According to the National Institute of Mental Health and the Centers for Disease Control and Prevention, male suicides are on average 4 times more likely than female suicides from 2002 to 2022.

social effects (Bertrand et al., 2007; Colonnelli et al., 2020; Fisman and Wang, 2015; Khwaja and Mian, 2005; Mauro, 1995; Sequeira, 2016). Although the Securities and Exchange Commission (SEC) has pay-to-play rules for investment advisors, most states lack general pay-to-play laws (Bromberg, Hartley, and Mohammed-Spigner, 2017). My results suggest that highly leveraged insurers exchange political donations for public insurance contracts, lenient financial reviews, and other regulatory favors, which distorts resource allocation and increases health care costs. More effective pay-to-play laws may reduce political rent-seeking and improve health care affordability.

I contribute to the debate on whether firms make political donations for private benefits or ideology. Some studies show that political donations improve firms' financial performance (Akey, 2015; Aobdia, Koester, and Petacchi, 2024; Cooper, Gulen, and Ovtchinnikov, 2010; Faccio et al., 2006; Fazekas, Ferrali, and Wachs, 2023; Goldman, Rocholl, and So, 2013; Schoenherr, 2019). Other papers dismiss political donations as lucrative investments (Aggarwal, Meschke, and Wang, 2012; Ansolabehere, De Figueiredo, and Snyder, 2003; Fowler, Garro, and Spenkuch, 2020; Goldman, Rocholl, and So, 2009). Fouirnaies and Fowler (2022) report that looser campaign regulations do not affect insurance industry regulations or premiums, but they do not test the effects on individual companies. I find that individual insurers benefit from donating to federal election candidates, which supports the investment view that donations yield financial returns. My insignificant results using insurers' contributions to political committees and local elections are not inconsistent with the consumption view that donations express political preferences or ideology.

I also contribute to the social welfare effects of health insurance. Health insurance subsidizes consumers (Crew, 1969; Garber, Jones, and Romer, 2006), and the Affordable Care Act lowers mortality (Goldin, Lurie, and McCubbin, 2021). Rising private health insurance premiums reduce payroll and employment (Baicker and Chandra, 2005), leading to more suicides and drug overdoses (Brot-Goldberg et al., 2024). My results suggest that higher private insurance costs reduce the health care access of disadvantaged sociopolitical groups.

The remainder of this paper is organized as follows: Section 2 presents the background and hypothesis. Section 3 describes the data and methods, and Section 4 discusses my main test results. Section 5 presents the additional tests and results. Section 6 concludes the paper.

2. Background and hypothesis development

There are several reasons for the high health care costs in the United States, which are the highest in the world. Besides income increases, advances in medical technology and transfer programs, such as Medicare, can also explain the rising ratio of health expenditure to GDP (Jones, 2002). Complex health care billing is one cause of high medical costs. Administrative frictions in health care billing lead to a 2% to 14% loss of physicians' revenues (Dunn et al., 2024). Employer incentives may also explain the high health insurance premiums, as the average employer prefers to pay high premiums for broad-network plans while the average employee prefers cheaper narrow-network plans (Tilipman, 2022). Rising health care costs may also reflect the higher value of life under higher income per person (Hall and Jones, 2007). Search frictions increase commercial health insurance premiums and turnover (Cebul et al., 2011). Lack of insurer competition is another cause of high health insurance premiums (Dafny, 2010; Dafny, Duggan, and Ramanarayanan, 2012; Tebaldi, 2024). Rising prescription drug plan (PDP) market concentration increases average premiums and Medicare beneficiaries' out-of-pocket drug expenditures (Chatterji et al., 2024). Improved access to health insurance may also have contributed to the increase in premiums, as seen from increased treatment aggressiveness and costs after mandated insurance coverage for IVF (Hamilton et al., 2018). Chan and Dickstein (2019) show that industry members in Medicare's price-setting committee increase prices for physician services and reduce the hard evidence in proposals. Duggan (2004) finds that California's Medicaid program became less efficient after switching from fee-for-service to managed care.

Dafny, Duggan, and Ramanarayanan (2012) show that rising industry concentration in health insurance increases premiums by around 7% from 1998 to 2006, which is a relatively small part of the total increase in U.S. health insurance premiums. Profit incentives may contribute to the rising health care costs. Aghamolla, Jain, and Thakor (2023) find that private

equity buyouts of hospitals increase health insurance premiums. Insurers may also exploit loopholes in government policies and regulations to increase premiums. Medicare Part D insurers may exploit the low-income subsidy by inflating plan premiums, which explains about one-third of the increase in premiums between 2006 and 2011 (Decarolis, 2015).

Could political influence explain part of the increase in health insurance premiums? Previous studies show that political goals affect insurance regulation. Tang (2022) shows that state regulators reduce life insurance companies' capital requirements to attract more insurers to their states for more tax revenues. Liu and Liu (2024) find that long-term care insurers are more likely to receive regulatory approval for new products after an election year. Liu and Liu (2024) also show that regulators with a higher stock of campaign contributions are less likely to approve premium increases.

The level of regulation can affect insurance prices, enrollment, product variety, insurance market concentration, and counterparty risk. Oh, Sen and Tenekedjieva (2022) show that homeowners' insurance companies raise prices less frequently in more regulated states and cross-subsidize by adjusting prices in less regulated states. Insurance pricing regulations affect Medigap enrollment and premiums (Curto, 2023). The classification of coverage region under the Affordable Care Act affects the number of active insurers and premiums, where larger regions have more insurers and lower premiums (Dickstein et al., 2015). Dynamic pricing regulations limit insurers' ability to change premiums over time for products without fixed premium schedules, such as long-term care insurance. Aizawa and Ko (2023) show that dynamic pricing regulations stabilize insurance prices but also reduce plan variety, insurer profitability, and the number of insurers, leading to more concentrated insurance markets. Sastry, Sen, and Tenekedjieva (2023) show that lax regulation of low-quality insurers leads to higher insurance counterparty risk of government-sponsored enterprises.

The regulation of health insurance is mainly at the state level, including health insurance companies' licensing, corporate changes, Medicaid and Medicare revenue, pricing, and financial reporting. State officials in insurance commissions or health departments approve insurers' license applications, select Medicaid contractors, set Medicaid capitation rates, approve rate increase requests, and conduct regulatory reviews, as summarized below.

First, state officials in insurance commissions or health departments approve insurers' applications for MCO (Managed Care Organization) licenses, which are prerequisites for eligibility as contractors in various government programs, including Medicaid, Medicare Part C and D, and Medigap. MCOs include HMOs (Health Maintenance Organizations) and PPOs (Preferred Provider Organizations), which can bid for Medicaid, Medicare Advantage (Part C), Medicare Part D, Medigap, Federal Employee Health Benefits (FEHB), military health care, and state employee plan contracts. These government contracts are lucrative for health insurers, involving large groups of enrollees and public funds. According to data from the Centers for Medicare & Medicaid Services (CMS), in 2022, around 75% of 80.9 million Medicaid enrollees received their coverage through private MCOs at a median annual cost of $7,784 per enrollee, which amounts to around $472 billion in total contract value. Some of the requirements for MCO licenses are not black-and-white, including network adequacy and quality improvement plan credibility, so state officials have some degree of discretionary power over MCO license approval.

Second, health insurers' mergers, ownership changes, and joint ventures often require state approval, and each state determines its specific statutes and rules on insurance regulations. Third, state officials can directly influence the selection of Medicaid contractors, and they sometimes also have indirect influence over Medicare contractors. Medicaid is a joint federal-state program, so states have significant authority in selecting and managing Medicaid contractors, including issuing Requests for Proposals, setting contract terms, and terminating or renewing contracts. As Medicare is a federal program, the CMS determines Medicare Administrative Contractors (MACs). However, state officials can indirectly influence Medicare Part C, Medicare Part D, and Medigap premiums via licensing, market environment, and Medicaid coordination. For example, state officials can provide input or feedback when Medicare coordinates with state-run programs like Medicaid or state health insurance programs. In addition, state officials can influence insurers' Medicare revenue by deciding which insurers obtain MCO licenses, which are prerequisites for Medicare contract eligibility. The number of licensed insurance companies also affects the level of competition in a state.

Fourth, state insurance commissioners can influence health insurance premiums through rate review processes and capitation rate setting. The Affordable Care Act (ACA) requires that premium increases of 15% or more for individual or small group products undergo state or federal reviews, depending on the state's ability to conduct an effective rate review.[4] Insurance commissioners have some discretionary powers to approve premium rate increase requests from health insurers. States also have autonomy in setting Medicaid capitation rates for different insurers based on factors like beneficiary risk profiles, provider availability, and overall health care costs. Fifth, state insurance commissioners conduct regulatory reviews and issue guidance based on financial examinations, whose degree of leniency affects insurers' reserves and profitability.

Among the state officials who can influence insurance regulations, some run for elections in the state or federal government. The head of the health department in a state is generally appointed by the governor, and the other high-level administrators in the state health department are usually appointed by the governor or the head of the health department. In most states, insurance commissioners are unelected officials appointed by the governors. In a few states, including California, Delaware, North Carolina, Georgia, and Oklahoma, voters elect the insurance commissioners, who need to raise money for political campaigns. Due to the appointment system, governors' political goals may indirectly influence health department officials' and insurance commissioners' decisions, and governors can indirectly influence health insurance regulations by appointing health department officials and insurance commissioners in most states.

Governors and insurance commissioners can run for re-election to the state government, or run for federal elections to move to Congress or the White House, whose success depends heavily on campaign spending. Although it is not the sole determinant of electoral outcomes, campaign spending is a critical factor for election success.[5] Campaign funding is necessary for advertising, outreach, and voter mobilization (Jacobson and Carson, 2019). Political

[4] State Effective Rate Review Programs from Centers for Medicare & Medicaid Services (CMS): https://www.cms.gov/CCIIO/Resources/Fact-Sheets-and-FAQs/rate_review_fact_sheet

[5] Data from OpenSecrets shows that top spending candidates win most of the races in US House or Senate elections: https://www.opensecrets.org/elections-overview/winning-vs-spending?

advertising affects the information that citizens receive, which affects voters' beliefs about candidates' valence and ideology (Kendall et al., 2015) and election outcomes (Da Silveira and De Mello, 2011; Enikolopov et al., 2011; Spenkuch and Toniatti, 2018). Individual and corporate contributions can substantially increase candidates' campaign spending. Besides their donations, large campaign donors may also have non-monetary value to candidates, such as their social connections, which can increase the support for candidates (Battaglini et al., 2024).

Could state officials use their discretionary power over health insurance regulations to exchange favors with firms to increase their campaign donations? Born, Karl, and Powell (2024) find that the insurance industry donates more to candidates from the same political party as incumbent insurance regulators than to other candidates. By contributing to state officials' campaigns, health insurers may obtain more licenses, government contracts, premium increase approvals, and lenient regulatory reviews. If individual insurance companies obtain private benefits by donating to state officials, donors' premiums and profitability increase at the expense of non-donating industry competitors. If this form of quid pro quo is widespread between state officials and health insurers, health insurance companies' political donations distort the allocation of licenses and government contracts, and transfer value from the health care system to rent-seekers. The rent-seeking may contribute to the rising health care costs in the United States.

In addition, there have been legal changes that increase money in politics and technological changes that may increase rent-seeking. U.S. Supreme Court rulings on Citizens United v. FEC in 2010 relaxed soft money restrictions and enabled corporations to donate unlimited amounts to independent political committees or super PACs. Coates IV (2012) finds that both corporate lobbying and campaign contributions via PACs jumped after 2010. According to OpenSecrets, the cost of Congressional races increased from $3.6 billion in 2010 to $8.9 billion in 2022.[6] In recent decades, big data and artificial intelligence (AI) have also been increasingly applied in firms' operations and decision-making. According to a NAIC survey conducted by 16 states, 84% of health insurers have implemented AI in some capacity,

[6] https://www.opensecrets.org/elections-overview/cost-of-election?cycle=2020&display=T&infl=N

including automation and augmented decision-making in underwriting, claims, risk assessment, and pricing (NAIC, 2025). For example, insurance companies can increase their agents' sales using AI-estimated consumer demand (Liu, 2023). Because firms can use new technology to appropriate profits from competitors and raise prices, technological progress can increase rent-seeking over production (Glode and Ordonez, 2025).

Unlike lobbying that affects specific policies or legislation, health insurers' political donations may indirectly bring various forms of benefits to the companies. Firms generally hire lobbyists to communicate with politicians to influence specific policy matters or legislation, while they make campaign contributions to support political candidates and affect election outcomes. If lobbying is successful, firms directly benefit from specific policies or legislation that apply to the whole industry. In my setting, health insurers may donate to existing state officials who are running for re-election or federal elections. Even if state officials such as governors do not directly regulate health insurance companies, they can connect insurers with appointed officials such as the head of state health departments. Irrespective of their election outcome, individual firms may obtain current or future benefits by supporting state officials' campaigns, such as favorable policies, funding, government contracts, and lenient regulations.

Political donations build connections between firms and politicians, and political connections may reduce the information asymmetry between firms and government officials (Downs, 1957). However, several studies show that political donations may facilitate quid pro quo between politicians and firms. After donating to federal or state officials, firms obtain benefits such as government contracts (Ayyagari, Knill, and Syvrud, 2024; Butler et al., 2009), government funding (Adelino and Dinc¸, 2014; Duchin and Sosyura, 2012), meetings with members of Congress (Kalla and Broockman, 2016), better access to bank finance (Claessens, Feijen, and Laeven, 2008), and less punishment for fraud (Fulmer, Knill, and Yu, 2023).

Besides political contributions, firms' political connections take various forms, such as directors' government employment experience (Faccio, 2006; Goldman, Rocholl, and So, 2009), executives' interaction with politicians (Acemoglu et al., 2016), and personal relationships with politicians (Acemoglu et al., 2016; Amore and Bennedsen, 2013). Many studies show that political connections are valuable for firms (Amore and Bennedsen, 2013;

Cooper, Gulen, and Ovtchinnikov, 2010; Faccio, 2006; Fisman, 2001; Goldman, Rocholl, and So, 2009; Luechinger and Moser, 2014). Borisov, Goldman, and Gupta (2016) show that lobbying expenditures create corporate value. Political campaign donors have higher stock returns than non-donors (Claessens, Feijen, and Laeven, 2008), and the number of candidates that firms donate to is positively associated with future stock returns (Cooper, Gulen, and Ovtchinnikov, 2010). By supporting politicians, firms can obtain benefits such as favorable regulations and policies (Akey, 2015), government funding (Aobdia, Koester, and Petacchi, 2024; Duchin and Sosyura, 2012; Faccio et al., 2006), or more government contracts (Goldman, Rocholl, and So, 2013; Schoenherr, 2019). Donations to winning political candidates and powerful politicians are more valuable for firms (Akey, 2015).

However, there is also debate on whether political connections always benefit firms. Bortolotti, Fotak, and Megginson (2015) show the negative effects of political influence on listed firms' financial performance. Political connections may hurt firms when CEOs have personal benefits from relationships with politicians at shareholders' expense. Bertrand et al. (2018) find that politically connected firms increase employment to help politicians in re-election but do not receive more government contracts in return, and they show a negative association between political connections and firm performance in France. Fisman et al. (2012) find no value in directors' personal ties to Richard Cheney. Some papers dismiss corporate donations to US politicians' campaigns as a lucrative form of investment for the firms (Ansolabehere, De Figueiredo, and Snyder, 2003; Fowler, Garro, and Spenkuch, 2020). Ansolabehere, De Figueiredo, and Snyder (2003) show that campaign spending deflated by GDP has remained stable from 1912 to the early 2000s, due to effective campaign finance regulations and other reforms. Goldman, Rocholl, and So (2009) show that Republican (Democrat) politicians' election successes do not affect the value of firms that donate more to Republicans (Democrats), while politically connected board members significantly affect company value when same-party politicians win elections. Fowler, Garro, and Spenkuch (2020) show that the election success of candidates does not significantly benefit firms that support them.

Corporate political connections may lead to negative social externalities when politicians and firms engage in rent-seeking. Duchin and Sosyura (2012) show that politically connected firms are more likely to receive government subsidies but they underperform compared with firms without political connections. Khwaja and Mian (2005) show that politician-led firms access more lending from government banks but have higher rates of default, which result in losses of between 0.3% and 1.9% of GDP. Faccio, Masulis, and John (2006) show that political connections can help firms receive government bailouts despite worse performance afterward, which indicates misallocation of public funding.

Based on the analysis above, I have the following hypothesis for the potential mechanism of quid pro quo between state officials and health insurers.

The political rent-seeking hypothesis: State officials exchange favors with health insurance companies to increase their campaign donations, which improves health insurer profitability but increases health care costs.

3. Methodology

3.1. Data

The data for political donations comes from the Database on Ideology, Money in Politics, and Elections (DIME), provided by Bonica (2023). My sample period is between 2002 and 2022. As political donation data is biennial, there are 11 election cycles. I use the corruption index data provided by the Institute for Corruption Studies.[7] I download insurers' company-year level financials and regulatory guidance data, and their company-state-year level total premium, Medicare premium, and Medicaid premium data from S&P Capital IQ Pro, whose insurance data comes from The National Association of Insurance Commissioners (NAIC). I obtain state-year level data for per capita disposable personal income, total employment, and real Gross Domestic Product (GDP) from the Bureau of Economic Analysis. I also obtain health care accessibility survey data and state-year level suicide data from the Kaiser Family Foundation (KFF), which is a nonpartisan and nonprofit organization that specializes in health

[7] The website of the Institute for Corruption Studies is https://greasethewheels.org/.

policy and public health research. I include the District of Columbia (DC) as a separate state in my analysis.

My whole sample contains 151,470 firm-state-year level observations for political donations, and 2,833 firm-year level observations for insurers' financials. My regressions are estimated with fewer observations because some variables have fewer observations, such as insurer regulatory performance.

3.2. Variables

3.2.1. Political Donations

Based on the types of recipients, political donations can be divided into donations to candidates or political committees, and donations that support federal elections or local elections. Political committees include candidate committees, political party committees, political action committees (PACs), and other types of committees. Donations to candidates refer to donations to candidates' official campaign committees, while donations to political committees refer to donations made to other types of political committees, such as party committees, super PACs, hybrid PACs, and joint fundraising committees, whose purpose is not supporting a single candidate.

The recipient committee reports federal contributions to the FEC, state contributions to state election offices or secretaries of state offices, and local contributions to local election agencies. Based on the type of donors, political donations include those made by employees and companies. In the main tests of the paper, I use donations from insurance companies directly (rather than insurers' employees).

3.2.2. Corruption Index

I use corruption index data provided by the Institute for Corruption Studies. In the main tests, I use the Corruption Reflections Index (CRI) constructed by Dincer and Johnston (2017), which is based on corruption coverage in Associated Press (AP) news wires. Dincer and Johnston (2017) count the number of news articles that mention words like "corrupt", "fraud", and "bribe" in news articles and deflate it by the number of news stories mentioning politics in each state in each year. CRI has three advantages over the Corruption Convictions Index (CCI).

First, AP news wires cover issues about federal, city, and state-level officials, while CCI uses convictions reported by the Justice Department's Public Integrity Section, the majority of which are about low-level public officials (Cordis and Milyo, 2016). Second, news articles offer more comprehensive coverage of corruption, including allegations, trials, and appeals, not just convictions. Third, CRI deflates the number of corruption articles by the number of politics articles, while CCI deflates the number of corruption convictions by state population, so CCI is more variable over time in sparsely populated states than in populous states.

The CRI data from the Institute for Corruption Studies is from 1977 to 2013. Because the exogenous shock of McDonnell v. United States narrowed the definition of corruption in 2016, I compute the average CRI in each state from 1977 to 2013 to measure across-state variation in the prevalence and tolerance of corruption in each state, which reflects the legal institutions and cultural norms in each state. Besides the cross-sectional corruption measure, I also define a dummy High Corruption, which equals one if the average CRI of a state is above the median and zero otherwise. In addition, I define Lagged Corruption Exposure as the product of each insurer's political contributions to each state and the corruption index of each state, summed across states for each insurer in the previous election cycle. Corruption exposure measures insurers' tendency to donate to high-corruption states.

3.2.3. Control variables

There are confounding factors that could affect health insurance companies' premiums or political donations. I control for insurers' total assets, as larger insurance companies can make more political contributions, obtain more government contracts, and have higher premiums. Firms' ability to donate and their premiums are also related to their profitability, so I control for return on assets, or ROA. I also control for financial leverage, calculated as total debt divided by total assets. Insurers with higher leverage tend to face higher financial and regulatory risk, which may incentivize them to make political contributions for political access and government contracts. Besides risk exposure, leverage ratios also affect insurance companies' capital via capital adequacy requirements and cost of capital via credit ratings, which could affect insurers' pricing and premiums.

In addition to insurer characteristics, I also control for state characteristics that may affect the demand for health insurance or political donations. As higher disposable income increases individuals' ability to afford private or supplemental health insurance, I control for per capita disposable personal income, defined as total disposable personal income divided by total midyear population estimates of the Census Bureau in each state in each year. Wealthier populations can afford larger or more frequent contributions, so the employees of insurance companies may donate more to political campaigns if they have higher disposable income. I also control for the level of employment in a state, which affects health insurance premiums via the composition of insurance demand, as higher employment rates mean more employer-sponsored insurance and lower demand for Medicaid or subsidized ACA (Affordable Care Act) marketplace plans. Higher employment may be linked to higher or lower political engagement (Aalen et al., 2024; Österman and Brännlund, 2024). Finally, I control for real GDP, which affects the health care infrastructure, public health investment, and economic security in a state. Insurers in high-income states may also donate more to politicians due to the higher potential gains from higher pricing in states with strong insurance demand. The detailed variable definitions are in Table A1 of Appendix A.

3.3. Main tests

To test the potential quid pro quo between state officials and health insurers, I first test whether health insurers' contributions to candidates and committees in states with higher levels of corruption are associated with higher premiums from the states. The corruption level of a state reflects the legal institutions and social norms in the state, which affect the prevalence of political rent-seeking. Higher corruption may increase government spending in areas prone to rent extraction, including high-technology and oligopolistic industries where valuation is more opaque (Mauro, 1998; Shleifer and Vishny, 1993). The health insurance industry offers politicians many opportunities to extract rents, given the oligopolistic industry and government regulation. Rent-seeking is likely to be measurable in high-corruption states' insurance industry. Although the pay-to-play arrangements are legal in regions without pay-to-play laws, both illegal corruption and legal rent-seeking are likely to be lower in states with relatively good

political institutions, including those with more local media and more competitive elections. More specifically, I regress health insurers' total premiums on the interaction term of state corruption index and insurers' donations to state officials or committees, as specified by Equation (1) below:

$$\begin{aligned}\text{Premium}_{i,j,t} = \alpha + \beta_1 \cdot \text{ Political Donations}_{i,j,t} \cdot \text{Corruption}_j \\ +\beta_2 \cdot \text{ Political Donations}_{i,j,t} + \beta_3 \cdot \text{Corruption}_j \\ +\gamma \cdot \text{ Controls}_{i/j,t} + \delta_t + \eta_i + \varepsilon_{i,j,t} \qquad (1)\end{aligned}$$

In Equation (1), the subscript i denotes each firm, t denotes each year, and j denotes each state. $\text{Premium}_{i,j,t}$ is the total premiums, or revenue from insurance products, that health insurer i receives from state j in year t. $\text{Political Donations}_{i,j,t}$ is insurance company i's political contributions to candidates or independent committees from state j in the current election cycle t. I run separate regressions for donations to candidates, donations to political committees, donations for federal elections, and donations for local elections. Corruption_j is the average Corruption Reflection Index for each state from 1977 to 2013. $\text{Controls}_{i/j,t}$ is my vector of control variables. I cluster standard errors at the firm and state levels, and I include firm-fixed and year-fixed effects.

Total premiums are the revenue from health insurers' different insurance products, including both private and public insurance. Employer-sponsored insurance is the largest type of private insurance in the United States, and the largest types of public health insurance in the United States are Medicaid and Medicare, based on the number of enrollees. As state officials can influence the pricing and sales quantity of government-run insurance more than private insurance, I also test whether health insurers increase their Medicare or Medicaid premiums by donating to officials and committees from states with high levels of corruption. Specifically, I change the dependent variable in Equation (1) from total premiums to Medicare and Medicaid premiums in separate regressions.

To strengthen the causality, I use the US Supreme Court case on McDonnell v. United States as an exogenous shock that increased the standard for corruption convictions in the US. The Supreme Court case McDonnell v. United States in 2016 reversed corruption charges on

former Virginia Governor Bob McDonnell in 2014, for which he accepted more than $175,000 in benefits from a company in return for hosting meetings and contacting other government officials to promote the company's products. The Supreme Court decision narrowed anti-corruption laws by increasing the burden of proof for corruption, which has ripple effects in other corruption prosecutions. After McDonnell v. United States, clear, formal governmental actions are necessary for proving public corruption, so the Department of Justice became more hesitant to pursue borderline corruption cases involving gifts and access, and campaign donors gained more clarity on the legal boundaries of political influence. Aggarwal and Litov (2023) document a decrease in corruption cases and an increase in the average size of bribes in corruption cases after the Supreme Court's decision in McDonnell v. United States. A looser definition of corruption may increase politicians' discretionary power, allowing politicians to exchange favors with firms using their connections. For example, governors may connect insurers with insurance commissioners or health department officials in exchange for their campaign contributions, which falls outside the Supreme Court's definitions of corruption after McDonnell v. United States.

Politicians and firms can better utilize the narrowed definition of corruption and the increase in prosecution thresholds when they are in a state with weaker legal institutions. In contrast, there are backlashes in states with sound legal institutions after McDonnell v. United States, which deters political rent-seeking in these states. States with higher levels of corruption on average have weaker legal institutions than states with lower corruption. For example, South Dakota and Massachusetts have low corruption index values, and the two states adapt to McDonnell v. United States by strengthening local laws or using broader definitions of corruption. In 2016, South Dakota voters approved the South Dakota Anti-Corruption Act, which includes campaign finance reforms and an ethics commission, though the measure was repealed in 2017. In Massachusetts, state prosecutors mitigate the restrictive impact of the McDonnell ruling by using broader statutory language to encompass a wider range of corrupt activities. In contrast, states with high corruption levels tend to align their prosecutorial strategies with narrowed federal standards after McDonnell v. United States, as seen from the

case of Commonwealth v. Veon in Pennsylvania and that of former New York Assembly Speaker Sheldon Silver.

In the first specification, I study whether insurers increase their contributions to politicians and political committees in high-corruption states relative to those in low-corruption states after the exogenous shock of McDonnell v. United States.

$$\text{Political Donations}_{i,j,t} = \alpha + \beta_1 \cdot \text{High Corruption}_j \cdot \text{Post}_t + \beta_2 \cdot \text{High Corruption}_j + \beta_3 \cdot \text{Post}_t + \gamma \cdot \text{Controls}_{i/j,t} + \eta_i + \mu_t + \varepsilon_{i,j,t} \quad (2)$$

In Equation (2), the subscript i denotes each firm, t denotes each year, and j denotes each state. The dummy High Corruption_j equals one if the average Corruption Reflection Index of a state is above the median and zero otherwise. The dummy Post_t equals one after 2016 and zero otherwise. $\text{Controls}_{i/j,t}$ is a set of firm-year or state-year level control variables. In some specifications, I also add firm-fixed effects and year-fixed effects to control for unobserved heterogeneity due to firm growth or macroeconomic trends, which are denoted by η_i and μ_t, respectively. I cluster standard errors at the firm and state levels.

Similar to the baseline regressions, I also change the dependent variable in Equation (2) from total premiums to Medicare and Medicaid premiums in separate regressions for the DID tests.

Besides state-level variation in corruption tendency and legal institutions, I also exploit the firm-level variation in financial constraints to identify the effect of a higher corruption threshold on political rent-seeking. Smith (2016) shows that firms in more corrupt regions have lower liquidity and higher leverage. Compared with firms with low leverage, firms with high leverage have greater incentives to seek political favors to increase their profitability. Political contributions are risky investments that purchase just goodwill, yielding uncertain and rare rewards (Gordon, Hafer, and Landa, 2007).

In the classic agency problem of asset substitution, shareholders of highly levered firms can take on risky projects to gamble for the potential upside while sharing the downside with debtholders (Jensen and Meckling, 1976). Empirical studies show that firms with high leverage

tend to take more risks than firms with low leverage (Bhagat, Bolton, and Lu, 2015; Koudstaal and van Wijnbergen, 2012). High leverage is also related to financial distress, which may incentivize firms to seek political favors. Adelino and Dinc (2014) show that firms with worse financial health spent more on lobbying in the Great Recession. With higher potential returns, firms with higher leverage are more likely to take advantage of the corruption prosecution threshold change and make risky investments in political connections by donating to state officials or other means.

Equation (3) below specifies the DID test with a triple interaction term that investigates whether highly levered insurers experience a relative increase in premiums from states with high corruption levels after McDonnell v. United States.

$$\begin{aligned}\text{Premium}_{i,j,t} = \alpha + \beta_1 \cdot \text{High Corruption}_{\ j} + \beta_2 \cdot \text{High Leverage}_{\ i} + \beta_3 \cdot \text{Post}_{\ t} + \beta_4 \cdot \\ \text{High Corruption}_{\ j} \cdot \text{Post}_{\ t} + \beta_5 \cdot \text{High Corruption}_{\ j} \cdot \text{High Leverage}_{\ i} + \\ \beta_6 \cdot \text{Post}_{\ t} \cdot \text{High Leverage}_{\ i} + \beta_7 \cdot \text{High Corruption}_{\ j} \cdot \text{Post}_{\ t} \cdot \\ \text{High Leverage}_{\ i} + \gamma \cdot \text{Controls}_{\ i/j,t} + \eta_i + \mu_t + \varepsilon_{i,j,t} \qquad (3)\end{aligned}$$

In Equation (3), the subscript i denotes each firm, t denotes each year, and j denotes each state. The dependent variable in Equation (3) is each health insurer's Medicare or Medicaid premiums from each state. The dummy $\text{High Corruption}_{\ j}$ and $\text{Post}_{\ t}$ are defined the same as before. $\text{High Leverage}_{\ i}$ is a dummy variable that equals one if the leverage of an insurer in 2010 is above median and zero otherwise. $\text{Controls}_{\ i/j,t}$ is a set of firm-year or state-year level control variables. I add firm-fixed effects or year-fixed effects to control for unobserved heterogeneity due to firm growth or macroeconomic trends, which are denoted by η_i and μ_t, respectively. I cluster standard errors at the firm and state level.

In addition to higher Medicare and Medicaid premiums, the quid pro quo arrangements may bring health insurers regulatory slack, so I also test whether political donations lead to more lenient regulations from insurance commissioners. The insurance departments of insurers' domicile states conduct regular financial examinations, which evaluate solvency, compliance with laws, governance, and other issues. Because only the domicile states conduct the financial

exams on insurers, insurers' regulatory performance is at the company-year level. I aggregate insurers' political donations across states and test whether high political donations overall lead to more lenient regulations, as specified by Equation (4) below.

$$\text{Regulatory Guidance}_{i,t} = \alpha + \beta \cdot \text{Lagged Political Donations}_{i,t-1} + \gamma \cdot \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (4)$$

In Equation (4), the subscript i denotes each firm and t denotes each year. I use logistic regression to estimate Equation (4), whose dependent variable is a dummy that equals one if an insurer receives regulatory guidance from a financial examination in an election cycle and zero otherwise. Regulatory guidance refers to state insurance departments' warnings and required corrective actions about issues or risks, such as liquidity problems, internal control issues, and inadequate capital or reserves. $\text{Lagged Political Donations}_{i,t-1}$ is an insurance company's contributions to candidates or political committees in the previous election cycle. I also change the key explanatory variable from $\text{Lagged Political Donations}_{i,t-1}$ to $\text{Lagged Corruption Exposure}_{i,t-1}$, which is the product of each insurer's political contributions to each state and the corruption index of each state, summed across states for each insurer in the previous election cycle. I cluster standard errors at the firm level.

4. Empirical results and discussion

4.1. Sample statistics

Table 1 reports the summary statistics of the variables used in the main tests. My full sample dates from 2002 to 2022 and has 11 election cycles, as political donation data is biennial. There are 429 unique US. health insurance companies from the S&P Capital IQ Pro database, most of which are private companies, and only 418 health insurers have financial data after 2010. My whole sample contains 151,470 firm-state-year level observations for political donations, and 2,833 firm-year level observations for insurers' financials. My regressions are estimated with fewer observations because some variables have fewer observations, such as insurer regulatory performance.

[Insert Table 1 here]

The political donations variable has large variation and is highly skewed, as most insurers do not make political contributions and some companies donate large amounts. In recent decades, political donations have also increased in prevalence and magnitude. Over the whole sample period, political contributions from health insurance companies' PACs and employees have a 95th percentile of 1,097.75 and a 99th percentile of 28,150 dollars. In the 2020 and 2022 election cycles, health insurers' and their employees' political contributions have a 95th percentile of 2,566.67 and a 99th percentile of 45,822.07 dollars.

There is also substantial variation in health insurance companies' leverage ratios. The average health insurer has a leverage ratio of 0.51, with a 5^{th} percentile of 0.07, a 95th percentile of 0.81, and a standard deviation of 0.76. There is some variation in corruption across states. The corruption index has an average value of 0.28 and a standard deviation of 0.11. The two states with the lowest average corruption index values are New Hampshire and Vermont, and the two states with the highest average corruption index values are New Jersey and Florida.

Health insurance companies' sales are segmented by markets. The average health insurers have positive premium revenue in only four states, consistent with geographical segmentation. Nine operating states are the 90^{th} percentile value for health insurers in my sample. However, some large insurers operate in multiple states. Over my sample period, MetLife and Southern Guaranty Insurance Co. receive health insurance premiums from 49 states, and Mutual of Omaha and First Continental Life & Accident Insurance Company operate in 50 states. These insurers have positive premium revenue from all 51 states in my sample period: Delta Dental Plan of Oklahoma, Centene Corp., Delta Dental Dentegra, Humana Inc., Elixir Insurance Co., Highmark, UnitedHealth Group, The Cigna Group, and CVS Health Corp.

Health insurers' political donations also concentrate in several states. The average health insurers make positive political contributions to officials and committees from 14 states according to the mean, and two states according to the median. These insurers donate to all states: Centene Corp., Dental Services Org. LLC, Presbyterian, Guardian, Santa Clara County, Molina Healthcare Inc., Kaiser Permanente, MetLife, MG Insurance Co., Banner Health, County Santa Clara, Blue Shield of California, The University of Utah, Intermountain Healthcare, Network Health, Sutter Health Plan, CVS Health Corp., Blue Cross & Blue Shield

of AL, Humana Inc., Highmark, UnitedHealth Group, Blue Cross NC, HCSC, Principal Financial Group Inc., and Mutual of Omaha.

My univariate analysis shows that the distribution of health insurance premiums overlaps with the distribution of insurers' political contributions across states, and the positive correlations are still significant after controlling for insurer and state characteristics. I omit these tables for brevity, and the next section provides empirical evidence for my hypothesis on political rent-seeking.

4.2. Main Test Results

4.2.1. Political Donations, State Corruption, and Insurance Premium

Table 2 reports the results of regressions based on Equation (1). Health insurers' total premiums are positively correlated with the interaction term between their political donations and state corruption. Columns (3) and (4) use health insurers' political donations to political committees, whose interaction term coefficients are significant at the 1% level. Columns (1) and (2) use donations to candidates, whose interaction term coefficients are significant at the 12% level. As some political committees, such as super PACs and leadership PACs, can also support specific candidates, insurers may exchange favors with governors, health officials, or insurance commissioners by donating to relevant officials directly or to independent committees indirectly.

[Insert Table 2 here]

The regressions using both donations to federal and local elections yield statistically significant results. However, both the economic and statistical significance are higher for regressions using contributions to federal elections than those to state and local elections, or local elections for short. A percentage point increase in the interaction term between donations to federal elections and corruption is associated with a 330.7 percentage point increase in total premium, which is significant at the 1% level. In comparison, one percentage point increase in the interaction term between donations to local elections and corruption is associated with a 76.1 percentage point increase in total premium, which is significant at the 5% level.

The stronger results for federal elections may be due to politicians' career concerns in the state government. State officials running for federal positions aim to leave the state government and will face less close monitoring from the local constituency if they are successfully elected to the federal office. In contrast, state officials who run for state elections have greater career concerns in the state government, as they will continue to be closely monitored by local constituencies upon election success. Re-election incentives can improve political accountability and reduce corruption (Ferraz and Finan, 2011). State officials who run for state and local re-elections are incentivized to protect consumers' interests and maintain high-quality and accessible health care. Given their incentive differences, federal election candidates are more likely to seek political rents using the discretionary power from their current positions than local election candidates.

After changing the dependent variable from total premiums to Medicare or Medicaid premiums in Equation (1), I obtain the regression results in Table 3. Similar to previous results, the interaction term between political donations and state corruption is positively correlated with insurers' Medicaid and Medicare premiums. The statistical significance of the coefficient is higher for Medicaid than Medicare premiums, potentially because state officials have more influence on Medicaid contractor selection, pricing, and oversight than Medicare. In Column (6), one percentage point increase in the interaction term between donations to federal elections and corruption is associated with a 64.9 percentage point increase in Medicaid premiums, which is significant at the 1% level.

[Insert Table 3 here]

The evidence is consistent with the exchange of favors between health insurers and state officials, where insurers donate to state officials' campaigns to obtain higher premiums, especially from government-run programs. Officials in state health departments can negotiate rates and contracts with MCOs for Medicaid and Medicare Supplement (Medigap), and state insurance commissions can license and oversee MCOs that operate Medicaid and Medicare plans. Using their discretionary power, state officials may approve more of the applications and negotiate higher rates from insurers that donate to their campaigns directly or indirectly.

4.2.2. DID tests based on McDonnell vs. United States

To strengthen the causal interpretation, I test whether states with pre-existing high levels of corruption experience a relative increase in political donations after McDonnell v. United States. Table 4 reports the estimation results based on Equation (2). Across specifications, the interaction term High Corruption×Post has positive coefficients. Unlike the regression results in the previous section, the DID term only has significant coefficients using donations to candidates, not donations to political committees. In Column (2), political candidates receive, on average, 283.6 dollars more donations after 2016 from health insurers if they are from states with pre-existing high corruption relative to states with pre-existing low corruption. Consistent with previous results, the effect is stronger for donations to federal elections than local elections. In Columns (5) and (6), health insurers' contributions to federal election campaigns increase by 302.4 to 310.1 dollars after 2016 if the candidates or political committees are from states with high pre-existing corruption relative to states with low pre-existing corruption. In Columns (3), (4), (7), and (8), the DID term has statistically insignificant coefficients for donations to political committees and local elections. The first order term Post_t is subsumed by the year fixed effects in Columns (2), (4), (6), and (8).

[Insert Table 4 here]

After changing the dependent variable in Equation (2) from political donations to Medicare and Medicaid premiums, I obtain the regression results in Table 5. The DID term High Corruption×Post has significantly positive coefficients in all columns. In Columns (5) and (6), health insurers' Medicare and Medicaid premiums from high-corruption states increase by around 15 million dollars relative to their Medicare and Medicaid premiums from low-corruption states after 2016. The first-order term Post_t is subsumed by the year fixed effects in Columns (3) to (6). The DID test results corroborate my findings above and suggest that health insurers donate more after 2016 to politicians in states with weak anti-corruption rules so that they can obtain higher Medicaid and Medicare revenue.

[Insert Table 5 here]

I change the dependent variable in Equation (2) to total premiums and find insignificant results, which are omitted for the sake of brevity. The results suggest that looser corruption

rules and regulations may increase government spending, as seen from the relative increase in Medicaid and Medicare premiums from high-corruption states. However, insurers' total premiums from high-corruption states do not increase relative to their total premiums from low-corruption states. Only the composition of insurers' revenue changes, shifting toward public insurance in high-corruption states after McDonnell v. United States. Weak anti-corruption laws and regulations may incentivize politicians to increase the size of government-run programs to exchange favors with firms.

Then, I estimate the DID models with triple interaction terms specified by Equation (3) and report the results in Table 6. Across specifications, the triple interaction term High Leverage×High Corruption×Post has significantly positive coefficients. After controlling for firm and year fixed effects, highly levered health insurers receive relatively $31 million more in Medicaid and $32 million more in Medicare premiums from high-corruption states after 2016. The coefficients for the DID term are statistically significant at the 1% level. The first order term Post_t is subsumed by the year fixed effects in Columns (3) to (6).

[Insert Table 6 here]

The results are consistent with the agency issue of asset substitution. Shareholders of highly levered firms have greater incentives to make risky investments in political connections, as they can gamble for the upside potential at debtholders' expense. Highly levered firms are also more likely to be financially distressed, and they may seek political favors as a way out of financial distress. The DID tests with the triple interaction term exploit both firm-level and state-level variation in political rent-seeking. The evidence from Tables 3 to 6 combined suggests that insurers' political donations to state officials help them obtain more Medicare and Medicaid premiums, which may be due to license approvals, more government contracts, and higher premium rates.

In addition to more licenses, government contracts, and rate increase approvals, insurers may also obtain regulatory slack in return for their political donations. I estimate Equation (4) and report the results in Table 7. Lagged Political Donations and Lagged Corruption Exposure are negatively associated with the outcome of receiving regulatory guidance based on financial exams, which are significant for both candidates and political committees at the 1% level based

on Columns (1) to (4). The coefficients of Lagged Corruption Exposure have higher economic significance than those of Lagged Political Donations, which suggests that insurers' donations to more corrupt states are more likely to bring them regulatory slack. Consistent with previous results, the effect is stronger for donations to federal elections than local elections. Insurers' donations and corruption-index-weighted donations to federal elections negatively predict their likelihood of receiving regulatory guidance in the next election cycle, with a significance level at the 1% level. Insurers' donations and corruption-index-weighted donations to local elections are also negatively correlated with the outcome of receiving regulatory guidance in the next election cycle, significant at the 11% and 13% level, respectively. Regulatory guidance generally includes formal orders to address issues and lower risks, such as increasing capital reserves or improving internal controls. The corrective actions increase administrative costs or reduce risks and profitability, which are costly for insurers. By donating to state officials, insurers may reduce their regulatory costs in return.

[Insert Table 7 here]

Overall, these results support the political rent-seeking hypothesis. Health insurers' total premiums, as well as Medicare and Medicaid premiums, are positively correlated with their donations to states with high pre-existing corruption. Exploiting state-level variation in local response to McDonnell vs. United States, I show that the exogenous loosening of corruption definition leads to a relative increase in health insurers' donations to and public insurance premiums from high-corruption states. Highly levered insurers, in particular, have a large increase in their Medicaid and Medicare premiums from high-corruption states after 2016, which suggests that agency issues or financial distress may incentivize insurers to make risky investments in political connections. However, McDonnell vs. United States does not relatively change health insurers' total premiums, indicating a shift in the composition of insurer revenues. Finally, I show that insurers are less likely to receive regulatory guidance by donating to state officials and committees, especially those from high-corruption states.

My findings suggest that insurers obtain higher public insurance premiums and regulatory slack by donating to politicians in states with weak legal institutions, especially for their federal election campaigns. State officials running for federal elections are likely to

extract more private benefits than officials running for local elections. Upon federal election success, state officials' responsibilities and oversight shift to a national stage, reducing the importance of local ties and concerns for their careers. With lower career concerns in state government, state officials running for federal elections may be less accountable to local constituents than those running for state and local elections. Thus, state officials are more likely to use their discretionary power over insurance regulation to extract private benefits when they expect to leave local governments. In contrast, companies may donate to state officials who run for re-election to build long-term connections, not necessarily for immediate returns.

My findings also suggest that looser anti-corruption regulations incentivize politicians to award public insurance contracts to highly leveraged insurers. High insurer leverage may cause reimbursement failure and disruption in the delivery of health care services. A previous example includes Health Republic Insurance of New York, which had high financial leverage until its liquidation that disrupted care delivery for over 200,000 enrollees.

5. Additional Tests

5.1. Insurer Financial Performance

In this section, I test whether the political donations improve insurance companies' financial performance. In Equation (4), I change the dependent variable from Regulatory Guidance to ROA and Operating ROE, which are each health insurer's return on assets and pre-tax operating return on average equity, respectively. Using the same definition as in Section 3.3, I also change Lagged Political Donations to Lagged Corruption Exposure in separate regressions. I add firm-fixed and year-fixed effects, and cluster standard errors at the firm level.

Table 8 presents the regression results on insurers' ROA. After controlling for firm and year fixed effects, ROA is significantly (p value < 1%) positively correlated with Lagged Political Donations and Lagged Corruption Exposure based on donations to candidates and federal elections, but the results are insignificant using donations to political committees and local elections. A percentage point increase in total political donations to candidates and federal elections is associated with 2.3 and 1.1 percentage points' increase in ROA in the next election cycle, respectively. A percentage point increase in corruption-index-weighted donations to

candidates and federal elections is associated with 7 and 4.2 percentage points' increase in ROA in the next election cycle, respectively.

[Insert Table 8 here]

Table 9 presents the regression results on insurers' Operating ROE. Consistent with the results on ROA, insurers' total and corruption-weighted donations to candidates and federal elections are significantly positively correlated with operating ROE, while I obtain insignificant results using donations to political committees and local elections. A percentage point increase in total political donations to candidates and federal elections is associated with 4.6 and 2.5 percentage points' increase in operating ROE in the next election cycle, respectively. A percentage point increase in corruption-index-weighted donations to candidates and federal elections is associated with 14.5 and 9.4 percentage points' increase in operating ROE in the next election cycle, respectively.

[Insert Table 9 here]

Some studies show that firms do not necessarily gain from their support for politicians. Aggarwal, Meschke, and Wang (2012) find that corporate donations to federal candidates negatively correlate with returns in the period between 1991 to 2004, and they attribute it to agency issues. Bertrand et al. (2018) show that connected firms contribute to regional politicians' reelection by increasing job and plant creation rates but do not receive preferential treatment in return. However, my findings based on recent U.S. data suggest that insurers benefit from their donations to state officials running for federal elections.

The regression results support that insurers' financial performance benefits from their donations to political candidates in federal elections, which supports the investment theory of political contributions that firms reap financial returns for their donations. Previous studies show that firms benefit from their campaign contributions (Cooper, Gulen, and Ovtchinnikov, 2010; Fazekas, Ferrali, and Wachs, 2023). As my previous DID tests show, insurers may obtain favorable treatments such as government contracts and regulatory leniency by donating to political candidates and federal elections. The insignificant results using insurers' contributions to independent committees and local elections are not inconsistent with the consumption view of political contributions raised by Ansolabehere, de Figueiredo, and Snyder (2003), who argue

that campaign contributions are primarily a consumption good for expressing political preferences.

Companies may donate to political committees and local elections to express preferences or political ideology, while quid pro quo is more likely to happen between companies and individuals who aim to advance their careers in the federal government. Although coordination and influence still exist for political committees such as Super PACs, it is a more indirect route for exchanging favors with state officials. When insurers intend to exchange favors with state officials by supporting their election campaigns, it is more feasible to donate to a specific candidate than to diffuse political committees. Career concerns in state government are lower among state officials who run for federal elections than those who run for state and local elections, so the latter are likely to be more accountable to local constituencies and to extract fewer private benefits. In addition, companies may donate to state officials who run for re-election to build long-term connections, not necessarily for immediate returns. Donations to independent political committees or local races are likely to reflect broader ideological goals rather than direct transactional expectations.

5.2. Health Care Cost and Suicides

In this section, I use survey data from the Kaiser Family Foundation (KFF) to test how health insurers' political donations correlate with health care accessibility and the number of suicides in each state in each year. If political rent-seeking distorts the allocation of health care resources and extracts value from the system, more residents may not be able to afford medical services, and their physical and psychological distress may increase, which could lead to more suicides. I first regress the percentage of adults who report not seeing a doctor last year due to cost on the interaction between dummies for state corruption level and political donations from health insurers, as specified by Equation (5) below.

$$\begin{aligned}\text{Adults without doctors}_{j,t} &= \alpha + \beta_1 \cdot \text{High Donation}_{j,t} + \beta_2 \cdot \text{High Donation}_{j,t} \cdot \text{High Corruption}_{j} \\ &+ \gamma \cdot \text{Controls}_{j,t} + \eta_j + \varepsilon_{j,t} \end{aligned} \quad (5)$$

In Equation (5) above, the subscript j denotes each firm and t denotes each year. I control for state characteristics, including disposable income, employment, and real GDP. I cluster standard errors at the state level and use state fixed effects, which absorb the first-order term High Corruption $_j$. The results in previous sections suggest that donations to federal election campaigns are more likely for quid pro quo, so I use donations to federal elections to calculate the High Donations dummy in the state-year level regressions. Besides donations to federal elections, I also define High Donations based on total donations, which are aggregated political donations across all recipient types. KFF provides survey data on adults without doctors from 2013, so my sample period for these tests is from 2013 to 2022. I use the percentage of adults without doctors among all adults and by racial groups, including Whites, Hispanics, and Blacks.

Table 10 reports the estimation results of Equation (5). Columns (1) to (4) report the results based on insurers' donations to federal elections, where states with both high donations and high corruption have significantly higher percentages of adults without doctors among Hispanics and Blacks. However, the coefficients of High Donations×High Corruption are not significant for whites and all adults. Using total donations in Columns (5) to (8), I obtain significantly positive result for Blacks and insignificant results for all other groups. These results suggest that insurers' donations to politicians from high-corruption states reduce the health care access of disadvantaged sociopolitical minorities, especially Blacks and Hispanics.

[Insert Table 10 here]

I also change the dependent variable in Equation (5) from the number of adults without doctors to the number of suicides in a state, using data that KFF collects from the Centers for Disease Control and Prevention and the National Center for Health Statistics. KFF provides state-year level suicide data from 2000, so my sample period for these tests is 2002 to 2022. Table 11 reports the results on total suicides and suicides by gender. Across all specifications, the interaction term High Donations×High Corruption is positively correlated with the number of suicides in each state in each year, after controlling for confounding factors. In high-corruption states that receive high donations from health insurers, the number of suicides is about 55-59 higher among all adults, 35-38 higher among males, and 18 higher among females, on top of the effects of high donations or high corruption alone.

The coefficients of the interaction term suggest that insurers' political donations to high-corruption states increase these states' suicides at a male-to-female ratio of 2. During 2002 to 2022, the average suicide rate among males is approximately 3.8 times higher than that among females, according to the age-adjusted suicide rates reported annually by the National Institute of Mental Health and the Centers for Disease Control and Prevention. As male suicides are on average 4 times more likely than female suicides, the smaller male-to-female suicide ratio from my regression coefficients suggests that the burden of political rent-seeking falls disproportionately on females.

[Insert Table 11 here]

Overall, the regression results are consistent with negative social externalities of political rent-seeking. Health insurers' political donations divert resources away from production and also facilitate inefficient allocation of public insurance contracts, which may increase the cost of health insurance and reduce health care accessibility. Some argue that corruption facilitates the allocation of economic resources to individuals who value them the most without much distortion (Beck and Maher, 1986; Leff, 1964; Lien, 1986; Lui, 1985; Weaver, 2021). However, most studies show that corruption benefits the wealthy and privileged with negative social consequences (Bertrand et al., 2007; Colonnelli et al., 2020; Fisman et al., 2018; Fisman and Wang, 2015; Mauro, 1995; Sequeira, 2016; Xu, 2018). Corruption distorts the allocation of resources more than taxation due to its secrecy (Shleifer and Vishny, 1993).

My results suggest that the health cost of political rent-seeking falls disproportionately on racial minority groups. Insurance companies' cost of political donations is passed onto consumers, and the inflated private insurance prices hurt low-income and uninsured people most. Although quid pro quo incentives may lead to expansion of public insurance programs, the higher cost of private insurance reduces the health access of low-income workers who are not eligible for public insurance. The low-income workers are more likely to be from racial minority groups than the majority group. According to data from the U.S. Census Bureau, Black and Hispanic households have median incomes below the national average, whereas White households have median incomes above it, which has been persistent over the past few decades.

My results also suggest that women disproportionately bear the health cost of political rent-seeking, potentially due to systemic gender inequalities in income and caregiving roles. Between 2002 and 2022, the female-to-male wage ratio is about 0.8 in the US, so women are more likely to be low-wage workers than men. Besides the persistent gender-wage gap, women require maternal care, including prenatal care, childbirth services, and postpartum care. Women also disproportionately bear the caretaking burden. When health insurance cost increases, low-wage women may experience more physical and mental health burdens than men with similar incomes.

5.3. Robustness checks

CEOs' and employees' donations may be aligned with firms' donations, as CEOs can act in lieu of their firms (Richter and Werner, 2017) and CEOs can influence employees' donations (Babenko, Fedaseyeu, and Zhang, 2020). In Tables 2 to 9, I change company donations to the total of employee and company donations, which yields qualitatively similar results.

I also use alternative definitions of high-corruption states. First, I define high-corruption states as those with average CRI in the top quartile among all states. Second, I define high-corruption states as those where more than two of three corruption indices are above the median. The corruption indexes from the Institute for Corruption Studies are the Corruption Convictions Index, the Corruption Perceptions Index, and the Corruption Reflections Index. The alternative specifications do not change my conclusions qualitatively. For the sake of brevity, I omit these tables here.

6. Conclusions

Money in politics has surged in recent years, and the health insurance industry is among the top donors to political campaigns. This paper examines a pay-to-play mechanism in which health insurers donate to state officials' election campaigns to obtain regulatory favors and public resources, such as Medicaid contracts. I find that health insurers' total, Medicare, and Medicaid premiums are positively correlated with their donations to state officials, especially those from states with high levels of pre-existing corruption. The significance of the

coefficients is higher for Medicaid than for Medicare premiums, potentially because state officials have more influence on Medicaid contractor selection, pricing, and oversight than they do for Medicare. Exploiting state-level variation in legal institutions, I show that an exogenous increase in the standard for corruption prosecution leads to a relative increase in health insurers' donations to and public insurance premiums from high-corruption states. In particular, more leveraged insurers have a larger increase in their Medicaid and Medicare premiums from high-corruption states after McDonnell v. United States, which is consistent with the agency issue of asset substitution. Besides higher premiums, I show that insurers receive more lenient financial regulations by donating to politicians from high-corruption states.

Using their discretionary power, state officials may directly or indirectly offer regulatory slack and approve more of the rate increase requests and contract proposals from insurers that donate to their campaigns. The effects are stronger for donations to federal elections than local elections, which may be due to the weaker local career concerns of state officials running for federal elections. I also obtain stronger results using donations to political candidates than committees, potentially because it is less feasible for firms to exchange favors with diffuse committees than with individual politicians. Highly leveraged insurers tend to seek rents through the pay-to-play mechanism, which may increase consumers' risks of reimbursement denials or health care disruptions.

My findings suggest that pay-to-play improves health insurer profitability but increases health care costs. Insurers' ROA and operating ROE are significantly positively correlated with their political donations, with stronger results for donations weighted by state corruption index. However, high-corruption states with high health insurers' donations have significantly higher percentages of adults who cannot afford medical services among Hispanics and Blacks. The number of suicides is also significantly higher in high-corruption states that receive high donations from health insurers, especially for females. My findings suggest that political rent-seeking in the health insurance industry distorts the allocation of public insurance contracts and increases health care costs, which disproportionately affect females, Blacks, and Hispanics. More effective pay-to-play laws may improve social welfare.

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Table 1. Summary Statistics.

This table reports the summary statistics for all variables employed in baseline regressions. *Corruption* is the average Corruption Reflection Index for each state. *High Corruption* is a dummy variable that equals one if the average Corruption Reflection Index of a state is above median and zero otherwise. *Total Assets* is the sum of all assets in all lines reported by each insurer, defined in billions of dollars. *ROA* is the return on average assets, or income after taxes, divided by average net admitted assets. *Leverage* is total debt divided by total assets. *High Leverage* is a dummy variable that equals one if the leverage of an insurer in 2010 is above median and zero otherwise. *Disposable Income* is per capita disposable personal income, or total disposable personal income divided by total midyear population estimates of the Census Bureau, defined in million dollars. *Employment* is total employment, or the number of occupied positions (in millions) in each state in each year. *Real GDP* is the real Gross Domestic Product (millions of chained 2017 dollars) in each state in each year. *Political Donations* is an insurance company's contributions to candidates or political committees in the current election cycle. *High Donations* is a dummy variable that equals one if the contributions received by politicians or political committees in a state are above the median and zero otherwise. *Lagged Political Donations* is an insurance company's contributions to candidates or political committees in the previous election cycle. *Lagged Corruption Exposure* is the product of each insurer's political contributions to each state and the corruption index of each state, summed across states for each insurer in the previous election cycle. Detailed definitions are in Table A1 and in the text.

VARIABLES	Obs	Mean	SD	P5	P25	Median	P75	P95
Corruption	51	0.2845	0.1059	0.1204	0.1946	0.2856	0.3688	0.4721
High Corruption	51	0.4902	0.5049	0	0	0	1	1
Total Assets	2970	1.0787	4.8949	0.0007	0.0118	0.0696	0.3795	4.1567
ROA	2833	2.2922	24.6205	-27.6614	-0.0297	4.5611	9.7830	23.2114
Leverage	2970	0.5118	0.7561	0.0691	0.3348	0.4800	0.6044	0.8134
High Leverage	246	0.5000	0.5010	0	0	1	1	1
Disposable Income	600	0.0376	0.0100	0.0239	0.0299	0.0363	0.0443	0.0558
Employment	600	3.6200	3.9572	0.4423	0.9199	2.4021	4.4101	12.1590
Real GDP	600	0.3453	0.4283	0.0376	0.0813	0.2105	0.4235	1.2438
Political Donations	151470	2937.7370	160522.7496	0	0	0	0	1097.7500
High Donations	612	1	1	0	0	1	1	1
Lagged Political Donations	4653	0.0858	0.9881	0	0	0	0.0005	0.1244

Lagged Corruption Exposure	4653	0.0280	0.3369	0	0	0	0.0001	0.0355

Table 2. Regressions of Total Premiums on Insurer Donation and State Corruption.

This table reports the regression results of health insurers' total premiums on the interaction of political donations and state corruption index. Political Donations is an insurance company's contributions to candidates or political committees in the current election cycle. Corruption is the average Corruption Reflection Index for each state. All other variables are defined and summarized in the main text and in Table A1 of Appendix A. The dependent variable in Columns (1) to (8) is health insurers' total premiums in each state in each year. Columns (1) and (2) use contributions to candidates, Columns (3) and (4) use contributions to political committees, Columns (5) and (6) use contributions to Federal election candidates and committees, and Columns (7) and (8) use contributions to state and local election candidates and committees. Columns (1), (3), (5), and (7) include firm-fixed effects. Columns (2), (4), (6), and (8) include both firm-fixed and year-fixed effects. Standard errors are clustered at the firm and state levels. ***, **, * stand for statistical significance at the 1%, 5%, and 10% level, respectively, and standard errors are reported with coefficients.

VARIABLES	(1) Candidates	(2) Candidates	(3) Committees	(4) Committees	(5) Federal	(6) Federal	(7) Local	(8) Local
Political Donations×Corruption	**156.200**	**156.200**	**94.350*****	**94.360*****	**330.700*****	**330.700*****	**76.110****	**76.110****
	(100.200)	**(100.200)**	**(32.480)**	**(32.480)**	**(108.600)**	**(108.600)**	**(31.460)**	**(31.460)**
Political Donations	-41.220	-41.220	-32.740***	-32.750***	-84.090**	-84.080**	-26.380**	-26.380**
	(34.840)	(34.840)	(11.290)	(11.290)	(34.870)	(34.870)	(10.930)	(10.930)
Corruption	150,384**	151,703**	160,380**	158,850**	125,511**	128,716*	157,935**	156,091**
	(63,223)	(65,740)	(66,622)	(69,232)	(63,337)	(65,884)	(66,441)	(69,059)
Total Assets	29,423***	29,411***	32,364***	32,256***	26,219***	26,267***	32,333***	32,216***
	(4,559)	(4,571)	(4,605)	(4,623)	(4,089)	(4,112)	(4,619)	(4,636)
ROA	108.500***	133.600***	132.100***	171.200***	100.900***	114.400***	128.900***	168.000***
	(29.430)	(31.330)	(32.180)	(31.190)	(27.580)	(25.260)	(31.690)	(30.640)
Leverage	7,857***	8,274***	8,695***	9,356***	6,976***	7,249***	8,710***	9,375***
	(1,104)	(1,155)	(1,130)	(1,158)	(998.6)	(1,012)	(1,136)	(1,163)
Disposable Income	2,699,000***	2,842,000**	2669000***	2508000**	2507000***	2861000**	2629000***	2436000**
	(597,149)	(1207000)	(597,919)	(1213000)	(594,751)	(1208000)	(596,444)	(1215000)
Employment	35,405**	35,776**	30,879*	30,669*	36,593**	37,404**	31,472*	31,202*
	(17,442)	(17,647)	(17,537)	(17,704)	(17,223)	(17,429)	(17,631)	(17,802)
Real GDP	-248,822	-252,628	-189,647	-187,357	-259,648*	-267,993*	-194,432	-191,506

	(156,160)	(158,574)	(157,605)	(159,663)	(153,961)	(156,366)	(158,166)	(160,258)
Constant	-163,834***	-170,313***	-168,508***	-161,868***	-147,187***	-162,792***	-166,597***	-158,536***
	(34,849)	(59,680)	(34,339)	(59,664)	(34,760)	(59,663)	(34,266)	(59,724)
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	N	Y	N	Y	N	Y	N	Y
Observations	141,552	141,552	141,552	141,552	141,550	141,550	141,550	141,550
R-squared	0.138	0.138	0.122	0.122	0.154	0.154	0.119	0.119

Table 3. Regressions of Medicare or Medicaid Premiums on Insurer Donation and State Corruption.

This table reports the regression results of health insurers' Medicare or Medicaid premiums on the interaction of political donations and state corruption index. Political Donations is an insurance company's contributions to candidates or political committees in the current election cycle. Corruption is the average Corruption Reflection Index for each state. All other variables are defined and summarized in the main text and in Table A1 of Appendix A. The dependent variable in Columns (1), (3), (5), and (7) is health insurers' Medicare premiums in each state in each year, and that in Columns (2), (4), (6) and (8) is health insurers' Medicaid premiums in each state in each year. Columns (1) and (2) use contributions to candidates, Columns (3) and (4) use contributions to political committees, Columns (5) and (6) use contributions to Federal election candidates and committees, and Columns (7) and (8) use contributions to state and local election candidates and committees. Columns (1), (3), (5), and (7) include firm-fixed effects. Columns (2), (4), (6), and (8) include both firm-fixed and year-fixed effects. Standard errors are clustered at the firm and state levels. ***, **, * stand for statistical significance at the 1%, 5%, and 10% level, respectively, and standard errors are reported with coefficients.

VARIABLES	(1) Medicare Candidates	(2) Medicaid Candidates	(3) Medicare Committees	(4) Medicaid Committees	(5) Medicare Federal	(6) Medicaid Federal	(7) Medicare Local	(8) Medicaid Local
Political Donations×Corruption	**95.230**	**29.020**	**37.120**	**37.390****	**176.500****	**64.850*****	**32.170**	**29.720***
	(68.110)	**(25.750)**	**(23.730)**	**(16.750)**	**(72.830)**	**(22.040)**	**(22.710)**	**(16.040)**
Political Donations	-25.000	-5.579	-12.760	-12.970**	-42.910*	-14.250*	-11.030	-10.300*
	(23.570)	(9.222)	(8.248)	(5.820)	(23.580)	(7.333)	(7.892)	(5.571)
Corruption	-7,420	-19,213	4,827	-25,704	-16,840	-25,717	2,935	-26,614
	(28,973)	(21,591)	(29,305)	(23,081)	(28,847)	(22,377)	(28,886)	(23,211)
Total Assets	18,247***	12,033***	20,000***	13,150***	16,315**	11,400***	19,978***	13,134***
	(6,451)	(2,261)	(6,399)	(2,260)	(6,375)	(2,173)	(6,397)	(2,266)
ROA	66.790***	17.960	91.980***	31.770**	54.520***	14.510	90.610***	30.590**
	(18.220)	(13.450)	(20.410)	(12.790)	(14.500)	(12.010)	(20.240)	(12.610)
Leverage	2,287***	3,826***	3,242***	4,225***	1,670**	3,616***	3,251***	4,236***
	(808.000)	(576.500)	(782.200)	(587.100)	(730.500)	(548.800)	(788.000)	(590.000)
Disposable Income	-370,698	-263,703	-503,337	-420,067	-370,047	-307,928	-536,271	-446,449
	(566,925)	(423,368)	(561,492)	(424,300)	(580,802)	(434,493)	(552,558)	(424,241)

Employment	2,336	1,639	587.000	-452.100	3,231	1,899	677.800	-206.100
	(8,141)	(5,332)	(7,986)	(4,976)	(8,281)	(5,387)	(7,998)	(5,016)
Real GDP	32,199	39,488	58,616	65,044	24,173	38,858	57,855	63,084
	(89,972)	(54,539)	(86,835)	(52,333)	(91,274)	(55,202)	(86,645)	(52,515)
Constant	-7,264	-2,324	-7,745	4,995	-3,655	1,375	-5,913	6,157
	(21,547)	(20,446)	(22,012)	(20,302)	(21,873)	(21,187)	(21,396)	(20,326)
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Observations	141,552	141,552	141,552	141,552	141,550	141,550	141,550	141,550
R-squared	0.173	0.115	0.128	0.112	0.193	0.114	0.128	0.108

Table 4. DID Tests Based on McDonnell v. United States: Political Donations.

This table presents DID test results on health insurers' political donations using the US Supreme Court case on McDonnell v. United States as an exogenous shock to the standard for corruption convictions. High Corruption is a dummy variable that equals one if the average Corruption Reflection Index of a state is above median and zero otherwise. Post is a dummy variable that equals one after the US Supreme Court ruling on McDonnell v. United States in 2016 and zero otherwise. All other variables are defined and summarized in the main text and in Table A1 of Appendix A. The dependent variables in Columns (1) and (2) are contributions to candidates, while those in Columns (3) and (4) are donations to political committees. The dependent variables in Columns (5) and (6) are donations to candidates running for federal elections or federal political committees, while those in Columns (7) and (8) are donations to candidates running for local elections or local political committees. Columns (1), (3), (5), and (7) include firm-fixed effects, and Columns (2), (4), (6), and (8) include both firm-fixed effects and year-fixed effects. Standard errors are clustered at the firm and state levels. ***, **, * stand for statistical significance at the 1%, 5%, and 10% level, respectively, and standard errors are reported with coefficients.

VARIABLES	(1) Candidates	(2) Candidates	(3) Committees	(4) Committees	(5) Federal	(6) Federal	(7) Local	(8) Local
High Corruption	-134.900	-167.600	-1,469	-1,592	-37.100	-50.370	-1,567	-1,709
	(130.100)	(134.500)	(1,430)	(1,467)	(58.640)	(60.740)	(1,440)	(1,479)
Post	121.400		1,087		37.500		1,169	
	(117.500)		(1,364)		(66.360)		(1,372)	
High Corruption×Post	**301.700****	**283.600****	**348.700**	**277.100**	**310.100*****	**302.400*****	**345.800**	**263.500**
	(123.800)	**(122.700)**	**(1,862)**	**(1,859)**	**(106.100)**	**(106.000)**	**(1,850)**	**(1,847)**
Total Assets	294.400***	288.400***	260.200*	234.900*	264.300***	261.400***	290.800**	262.200**
	(49.500)	(49.120)	(133.400)	(133.500)	(39.370)	(39.360)	(132.400)	(132.300)
ROA	1.968***	3.838***	-29.300	-20.000	1.927***	3.266***	-29.350	-19.490
	(0.549)	(0.632)	(21.660)	(20.690)	(0.416)	(0.483)	(21.670)	(20.720)
Leverage	69.000***	87.190***	-2,490	-2,451	69.030***	80.800***	-2,489	-2,445
	(11.670)	(12.990)	(2,443)	(2,448)	(9.922)	(10.590)	(2,443)	(2,448)
Disposable Income	-11,973	-28,997	-229,825	-296,701	5,954	-1,233	-247,650	-324,702
	(14,419)	(17,632)	(185,520)	(213,095)	(5,164)	(6,832)	(187,692)	(216,899)
Employment	-113.700	-145.900	-3,838	-3,975	-44.620	-59.080	-3,914	-4,069
	(250.300)	(255.600)	(3,425)	(3,476)	(102.300)	(104.600)	(3,457)	(3,512)

Real GDP	2,931	3,269	51,144	52,542	1,198	1,347	52,920	54,515
	(2,923)	(2,980)	(40,369)	(40,920)	(1,105)	(1,132)	(40,832)	(41,414)
Constant	5.244	732.500	8,139	11,207	-552.900***	-253.500	8,699	12,209
	(485.800)	(651.100)	(7,624)	(9,089)	(192.300)	(276.100)	(7,673)	(9,199)
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	N	Y	N	Y	N	Y	N	Y
Observations	130,502	130,502	130,502	130,502	130,500	130,500	130,500	130,500
R-squared	0.087	0.087	0.010	0.010	0.146	0.147	0.010	0.010

Table 5. DID Tests Based on McDonnell v. United States: Medicare and Medicaid Premiums.

This table presents DID test results on health insurers' Medicare and Medicaid Premiums using the US Supreme Court case on McDonnell v. United States as an exogenous shock to the standard for corruption convictions. High Corruption is a dummy variable that equals one if the average Corruption Reflection Index of a state is above median and zero otherwise. Post is a dummy variable that equals one after the US Supreme Court ruling on McDonnell v. United States in 2016 and zero otherwise. All other variables are defined and summarized in the main text and in Table A1 of Appendix A. The dependent variables in Columns (1), (3), and (5) are health insurers' Medicare premiums, and those in Columns (2), (4), and (6) are health insurers' Medicaid premiums. Columns (1) and (2) include firm-fixed effects, Columns (3) and (4) include year-fixed effects, and Columns (5) and (6) include both firm-fixed effects and year-fixed effects. Standard errors are clustered at the firm and state levels. ***, **, * stand for statistical significance at the 1%, 5%, and 10% level, respectively, and standard errors are reported with coefficients.

VARIABLES	(1) Medicare	(2) Medicaid	(3) Medicare	(4) Medicaid	(5) Medicare	(6) Medicaid
High Corruption	-1,187	-7,340**	-1,865	-8,267**	-1,865	-8,267**
	(4,725)	(3,648)	(5,050)	(3,952)	(4,776)	(3,771)
Post	-2,790	2,903				
	(4,031)	(4,044)				
High Corruption×Post	**15,414*** **	**15,627*** **	**15,039*** **	**15,100*** **	**15,039*** **	**15,100*** **
	(4,898)	**(5,247)**	**(4,779)**	**(5,185)**	**(4,953)**	**(5,276)**
Total Assets	20,135***	13,312***	18,618***	11,234***	20,044***	13,167***
	(6,418)	(2,312)	(5,309)	(1,705)	(6,433)	(2,310)
ROA	89.82***	-17.54	144.8***	176.0***	110.2***	32.55**
	(24.17)	(18.19)	(53.81)	(26.50)	(26.19)	(15.58)
Leverage	2,654***	3,957***	1,397**	3,203***	2,825***	4,275***
	(768.8)	(586.7)	(652.0)	(714.3)	(836.9)	(611.8)
Disposable Income	-151,428	105,965	-498,495	-382,659	-498,495	-382,659
	(592,086)	(328,723)	(648,902)	(473,949)	(635,516)	(462,344)
Employment	1,966	1,474	1,271	464.7	1,271	464.7
	(10,219)	(6,128)	(10,649)	(6,587)	(10,272)	(6,252)
Real GDP	52,948	51,531	60,259	62,010	60,259	62,010

	(108,165)	(62,165)	(111,110)	(66,379)	(108,665)	(63,664)
Constant	-24,566	-25,426**	-8,941	-2,126	-11,221	-4,426
	(18,287)	(12,774)	(23,147)	(19,614)	(21,821)	(19,179)
Firm FE	Y	Y	N	N	Y	Y
Year FE	N	N	Y	Y	Y	Y
Observations	134,500	134,500	134,500	134,500	134,500	134,500
R-squared	0.111	0.091	0.066	0.042	0.111	0.091

Table 6. DID Tests Based on McDonnell vs. United States: Medicare / Medicaid Premiums and Insurer Leverage.

This table presents DID test results on health insurers' Medicare and Medicaid Premiums for insurers with different leverage, using the US Supreme Court case on McDonnell v. United States as an exogenous shock to the standard for corruption convictions. High Corruption is a dummy variable that equals one if the average Corruption Reflection Index of a state is above median and zero otherwise. Post is a dummy variable that equals one after the US Supreme Court ruling on McDonnell v. United States in 2016 and zero otherwise. High Leverage is a dummy variable that equals one if the leverage of an insurer in 2010 is above median and zero otherwise. All other variables are defined and summarized in the main text and in Table A1 of Appendix A. The dependent variables in Columns (1), (3), and (5) are health insurers' Medicare premiums, and those in Columns (2), (4), and (6) are health insurers' Medicaid premiums. Columns (1) and (2) include firm-fixed effects, Columns (3) and (4) include year-fixed effects, and Columns (5) and (6) include both firm-fixed effects and year-fixed effects. Standard errors are clustered at the firm and state levels. ***, **, * stand for statistical significance at the 1%, 5%, and 10% level, respectively, and standard errors are reported with coefficients.

VARIABLES	(1) Medicare	(2) Medicaid	(3) Medicare	(4) Medicaid	(5) Medicare	(6) Medicaid
High Corruption	-15,173**	-16,127***	-15,873**	-17,078***	-15,873**	-17,078***
	(6,172)	(3,441)	(6,290)	(3,794)	(6,170)	(3,588)
High Corruption×High Leverage	28,375***	17,869***	28,348***	17,832***	28,348***	17,832***
	(8,199)	(5,335)	(8,212)	(5,403)	(8,202)	(5,334)
Post	-8,153*	-5,228				
	(4,170)	(3,962)				
High Leverage×Post	10,479	15,937***	6,220	12,235***	10,748	16,265***
	(8,084)	(5,230)	(6,315)	(4,603)	(8,143)	(5,260)
High Corruption×Post	-623.6	2.662	-1,031	-567.3	-1,031	-567.3
	(2,875)	(3,213)	(2,848)	(3,277)	(2,883)	(3,267)
High Leverage×High Corruption×Post	**31,940*** **	**31,212*** **	**31,967*** **	**31,251*** **	**31,967*** **	**31,251*** **
	(10,830)	**(10,745)**	**(10,482)**	**(10,535)**	**(10,827)**	**(10,745)**
Total Assets	19,906***	13,039***	18,427***	10,950***	19,805***	12,882***
	(6,436)	(2,294)	(5,352)	(1,695)	(6,452)	(2,292)
ROA	67.60***	-44.09**	158.9***	199.4***	89.33***	7.643
	(21.67)	(18.93)	(60.24)	(29.56)	(23.11)	(15.48)

Leverage	2,714***	4,028***	-171.2	778.3	2,916***	4,383***
	(780.2)	(600.7)	(1,042)	(503.0)	(853.3)	(628.6)
Disposable Income	-129,914	130,303	-494,424	-380,130	-494,424	-380,130
	(594,085)	(329,201)	(648,079)	(473,320)	(634,736)	(461,959)
Employment	2,013	1,522	1,286	473.9	1,286	473.9
	(10,217)	(6,122)	(10,640)	(6,575)	(10,264)	(6,244)
Real GDP	52,464	51,021	60,109	61,917	60,109	61,917
	(108,138)	(62,078)	(111,017)	(66,240)	(108,582)	(63,570)
High Leverage			-10,197	-676.8		
			(6,578)	(2,633)		
Constant	-25,085	-25,984**	-4,126	-2,463	-12,867	-6,866
	(18,325)	(12,791)	(24,808)	(19,492)	(22,312)	(19,211)
Firm FE	Y	Y	N	N	Y	Y
Year FE	N	N	Y	Y	Y	Y
Observations	134,500	134,500	134,500	134,500	134,500	134,500
R-squared	0.112	0.092	0.067	0.044	0.112	0.093

Table 7. Insurer Regulatory Performance and Political Donations.

This table reports the logistic regression results of health insurers' regulatory performance on lagged political donations and state corruption index. The dependent variable in Columns (1) to (8) is a dummy that equals one if an insurer receives regulatory guidance from a financial examination in an election cycle and zero otherwise. Lagged Political Donations is an insurance company's contributions to candidates or political committees in the previous election cycle. Lagged Corruption Exposure is the product of each insurer's political contributions to each state and the corruption index of each state, summed across states for each insurer in the previous election cycle. All other variables are defined and summarized in the main text and in Table A1 of Appendix A. Columns (1) and (2) use contributions to candidates, Columns (3) and (4) use contributions to political committees, Columns (5) and (6) use contributions to Federal election candidates and committees, and Columns (7) and (8) use contributions to state and local election candidates and committees. Standard errors are clustered at the firm level. ***, **, * stand for statistical significance at the 1%, 5%, and 10% level, respectively, and standard errors are reported with coefficients.

VARIABLES	(1) Candidates	(2) Candidates	(3) Committees	(4) Committees	(5) Federal	(6) Federal	(7) Local	(8) Local
Lagged Political Donations	**-0.768*** **		**-0.402*** **		**-1.353*** **		**-0.085**	
	(0.298)		**(0.130)**		**(0.341)**		**(0.053)**	
Lagged Corruption Exposure		**-2.223****		**-1.011*****		**-5.035*****		**-0.231**
		(0.901)		**(0.336)**		**(1.279)**		**(0.155)**
Total Assets	-0.014*	-0.014*	-0.011*	-0.014*	-0.006	-0.005	-0.020*	-0.021*
	(0.007)	(0.008)	(0.007)	(0.008)	(0.005)	(0.005)	(0.012)	(0.012)
ROA	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Leverage	-1.112**	-1.111**	-1.094*	-1.098*	-1.110*	-1.110*	-1.115**	-1.116**
	(0.561)	(0.560)	(0.573)	(0.569)	(0.570)	(0.571)	(0.555)	(0.555)
Constant	-1.249***	-1.249***	-1.252***	-1.251***	-1.253***	-1.253***	-1.247***	-1.247***
	(0.305)	(0.305)	(0.310)	(0.309)	(0.308)	(0.308)	(0.303)	(0.303)
Observations	2,831	2,831	2,831	2,831	2,831	2,831	2,831	2,831
Number of Insurers	386	386	386	386	386	386	386	386

Table 8. Insurer Financial Performance and Political Donations: ROA.

This table reports the logistic regression results of health insurers' ROA on lagged political donations and state corruption index. The dependent variable in Columns (1) to (8) is health insurers' ROA, or return on assets. Lagged Political Donations is an insurance company's contributions to candidates or political committees in the previous election cycle. Lagged Corruption Exposure is the product of each insurer's political contributions to each state and the corruption index of each state, summed across states for each insurer in the previous election cycle. All other variables are defined and summarized in the main text and in Table A1 of Appendix A. Columns (1) and (2) use contributions to candidates, Columns (3) and (4) use contributions to political committees, Columns (5) and (6) use contributions to Federal election candidates and committees, and Columns (7) and (8) use contributions to state and local election candidates and committees. All columns include firm-fixed and year-fixed effects. Standard errors are clustered at the firm level. ***, **, * stand for statistical significance at the 1%, 5%, and 10% level, respectively, and standard errors are reported with coefficients.

VARIABLES	(1) Candidates	(2) Candidates	(3) Committees	(4) Committees	(5) Federal	(6) Federal	(7) Local	(8) Local
Lagged Political Donations	**2.274*** **		**-0.235**		**1.065*** **		**-0.261**	
	(0.674)		**(0.376)**		**(0.375)**		**(0.395)**	
Lagged Corruption Exposure		**7.016*** **		**-0.700**		**4.179*** **		**-0.738**
		(2.009)		**(1.107)**		**(1.356)**		**(1.131)**
Total Assets	-0.072	-0.073	-0.033	-0.034	-0.069	-0.070	-0.036	-0.036
	(0.054)	(0.054)	(0.070)	(0.069)	(0.055)	(0.055)	(0.068)	(0.068)
Leverage	-0.990	-0.990	-1.005	-1.006	-0.988	-0.989	-1.009	-1.008
	(3.582)	(3.582)	(3.596)	(3.596)	(3.582)	(3.582)	(3.597)	(3.597)
Constant	4.125*	4.122*	4.142*	4.144*	4.140*	4.142*	4.149*	4.149*
	(2.300)	(2.300)	(2.312)	(2.313)	(2.302)	(2.302)	(2.315)	(2.316)
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Observations	2,831	2,831	2,831	2,831	2,831	2,831	2,831	2,831
R-squared	0.033	0.033	0.033	0.033	0.033	0.033	0.033	0.033
Number of Insurers	386	386	386	386	386	386	386	386

Table 9. Insurer Financial Performance and Political Donations: Operating ROE

This table reports the logistic regression results of health insurers' operating ROE on lagged political donations and state corruption index. The dependent variable in Columns (1) to (8) is health insurers' pre-tax operating ROAE, or operating return on average equity. Lagged Political Donations is an insurance company's contributions to candidates or political committees in the previous election cycle. Lagged Corruption Exposure is the product of each insurer's political contributions to each state and the corruption index of each state, summed across states for each insurer in the previous election cycle. All other variables are defined and summarized in the main text and in Table A1 of Appendix A. Columns (1) and (2) use contributions to candidates, Columns (3) and (4) use contributions to political committees, Columns (5) and (6) use contributions to Federal election candidates and committees, and Columns (7) and (8) use contributions to state and local election candidates and committees. All columns include firm-fixed and year-fixed effects. Standard errors are clustered at the firm level. ***, **, * stand for statistical significance at the 1%, 5%, and 10% level, respectively, and standard errors are reported with coefficients.

VARIABLES	(1) Candidates	(2) Candidates	(3) Committees	(4) Committees	(5) Federal	(6) Federal	(7) Local	(8) Local
Lagged Political Donations	**4.644*****		**0.185**		**2.471****		**0.123**	
	(1.717)		**(0.180)**		**(0.982)**		**(0.136)**	
Lagged Corruption Exposure		**14.530*****		**0.492**		**9.441****		**0.382**
		(5.184)		**(0.486)**		**(3.857)**		**(0.406)**
Total Assets	0.057	0.056	0.116	0.118	0.056	0.054	0.120	0.120
	(0.084)	(0.083)	(0.116)	(0.117)	(0.083)	(0.083)	(0.118)	(0.118)
Leverage	-0.766	-0.766	-0.735	-0.736	-0.764	-0.765	-0.740	-0.739
	(1.419)	(1.419)	(1.408)	(1.409)	(1.418)	(1.419)	(1.411)	(1.411)
Constant	11.170***	11.170***	11.140***	11.140***	11.210***	11.210***	11.140***	11.140***
	(3.992)	(3.992)	(3.989)	(3.989)	(3.991)	(3.992)	(3.990)	(3.990)
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Observations	2,393	2,393	2,393	2,393	2,393	2,393	2,393	2,393
R-squared	0.044	0.045	0.044	0.044	0.045	0.045	0.044	0.044
Number of Insurers	318	318	318	318	318	318	318	318

Table 10. Insurer Political Donations, Corruption, and Adults without Doctors.

This table reports the state-year level regression results of the percentage of adults who report not seeing a doctor last year due to cost on the interaction of health insurers' political donations and state corruption level. High Donations is a dummy variable that equals one if the contributions received by politicians or political committees in a state in a year are above the median and zero otherwise. High Corruption is a dummy variable that equals one if the average Corruption Reflection Index of a state is above median and zero otherwise. All other variables are defined and summarized in the main text and in Table A1 of Appendix A. The dependent variable in Columns (1) and (5) is the percentage of adults who report not seeing a doctor last year due to cost in each state in each year. The dependent variable in Columns (2) and (6) is the percentage of Hispanics who report not seeing a doctor last year due to cost in each state in each year. The dependent variable in Columns (3) and (7) is the percentage of Blacks who report not seeing a doctor last year due to cost in each state in each year. The dependent variable in Columns (4) and (8) is the percentage of Whites who report not seeing a doctor last year due to cost in each state in each year. Columns (1) to (4) use health insurance companies' and employees' contributions to federal election candidates and committees. Columns (5) to (8) use health insurance companies' and employees' contributions to all candidates and committees. Columns (1) to (8) include state-fixed effects, which absorb the first-order term of High Corruption. Standard errors are clustered at the state level. ***, **, * stand for statistical significance at the 1%, 5%, and 10% level, respectively, and standard errors are reported with coefficients.

VARIABLES	(1) Federal All Adults	(2) Federal Hispanic	(3) Federal Black	(4) Federal White	(5) Total All Adults	(6) Total Hispanic	(7) Total Black	(8) Total White
High Donations	0.002	-0.022**	-0.016**	0.002	-0.001	-0.014	-0.013*	0.000
	(0.004)	(0.009)	(0.007)	(0.004)	(0.004)	(0.009)	(0.007)	(0.003)
High Donations×High Corruption	**-0.003**	**0.024***	**0.015***	**-0.003**	**-0.002**	**0.013**	**0.018****	**-0.003**
	(0.006)	**(0.014)**	**(0.008)**	**(0.005)**	**(0.005)**	**(0.011)**	**(0.009)**	**(0.005)**
Disposable Income	-3.447***	-4.458***	-5.230***	-3.129***	-3.402***	-4.522***	-5.298***	-3.093***
	(0.269)	(0.387)	(0.484)	(0.248)	(0.259)	(0.437)	(0.435)	(0.241)
Employment	-0.016***	-0.022***	-0.020***	-0.007*	-0.017***	-0.021***	-0.020***	-0.007*
	(0.005)	(0.007)	(0.006)	(0.004)	(0.004)	(0.007)	(0.006)	(0.004)
Real GDP	0.093***	0.121***	0.181***	0.064***	0.092***	0.114***	0.182***	0.064***
	(0.021)	(0.031)	(0.041)	(0.017)	(0.021)	(0.031)	(0.038)	(0.016)
Constant	0.304***	0.471***	0.417***	0.245***	0.304***	0.470***	0.416***	0.245***

	(0.013)	(0.022)	(0.018)	(0.011)	(0.012)	(0.022)	(0.018)	(0.011)
State FE	Y	Y	Y	Y	Y	Y	Y	Y
Observations	300	251	223	300	300	251	223	300
R-squared	0.784	0.579	0.628	0.762	0.784	0.569	0.628	0.762
Number of States	50	50	44	50	50	50	44	50

Table 11. Insurer Political Donations, Corruption, and Suicides.

This table reports the state-year level regression results of the number of suicides on the interaction of health insurers' political donations and state corruption level. High Donations is a dummy variable that equals one if the contributions received by politicians or political committees in a state in a year are above the median and zero otherwise. High Corruption is a dummy variable that equals one if the average Corruption Reflection Index of a state is above median and zero otherwise. All other variables are defined and summarized in the main text and in Table A1 of Appendix A. The dependent variable in Columns (1) and (5) is the total number of suicides in each state in each year. The dependent variable in Columns (2) and (6) is the number of males who commit or attempt suicide in each state in each year. The dependent variable in Columns (3) and (7) is the number of females who commit or attempt suicide in each state in each year. The dependent variable in Columns (4) and (8) is the number of suicide deaths in each state in each year. Columns (1) to (4) use health insurance companies' and employees' contributions to federal election candidates and committees. Columns (5) to (8) use health insurance companies' and employees' contributions to all candidates and committees. Columns (1) to (8) include state-fixed effects, which absorb the first-order term of High Corruption. Standard errors are clustered at the state level. ***, **, * stand for statistical significance at the 1%, 5%, and 10% level, respectively, and standard errors are reported with coefficients.

VARIABLES	(1) Federal Total Suicides	(2) Federal Male	(3) Federal Female	(4) Federal Suicide Deaths	(5) Total Total Suicides	(6) Total Male	(7) Total Female	(8) Total Suicide Deaths
High Donations	21.110	12.760	10.590**	25.340	-4.880	-4.935	1.287	-4.463
	(16.010)	(11.940)	(4.580)	(16.350)	(13.280)	(10.240)	(3.538)	(13.180)
High Donations×High Corruption	**54.620****	**34.790****	**18.050*****	**50.910****	**58.530*****	**38.110****	**18.250*****	**57.020*****
	(21.400)	**(17.230)**	**(5.228)**	**(22.890)**	**(20.120)**	**(15.880)**	**(4.670)**	**(20.430)**
Disposable Income	4,761***	3,928***	956.000***	5,205***	5,775***	4,560***	1,346***	6,265***
	(881.600)	(698.000)	(214.200)	(926.900)	(987.400)	(768.100)	(242.100)	(1,043)
Employment	223.500**	179.300***	53.470***	262.800***	230.400***	183.700***	56.160***	269.300***
	(42.050)	(34.860)	(5.585)	(45.230)	(41.180)	(34.030)	(5.622)	(44.090)

Real GDP	226.100	107.800	-5.747	-151.000	185.900	81.430	-23.990	-196.600
	(165.300)	(132.200)	(47.850)	(190.600)	(170.400)	(131.500)	(50.990)	(193.700)
Constant	-303.800**	-230.100***	-71.010***	-339.000***	-341.900***	-253.500***	-85.080***	-374.600***
	(98.110)	(79.640)	(12.710)	(106.300)	(92.290)	(75.540)	(11.270)	(100.000)
State FE	Y	Y	Y	Y	Y	Y	Y	Y
Observations	531	535	547	548	533	537	549	550
R-squared	0.802	0.802	0.709	0.812	0.793	0.796	0.691	0.804
Number of States	50	50	50	50	50	50	50	50

Appendix A

Table A1. Variable Definitions.

This table provides the definitions for all variables used in the empirical analyses.

Variables	Definitions
Corruption	The average Corruption Reflection Index for each state, based on data from the Institute for Corruption Studies
High Corruption	Dummy variable that equals one if the average Corruption Reflection Index of a state is above median and zero otherwise
Total Assets	Net total assets, or the sum of all assets in all lines reported by each insurer, defined in billion dollars
ROA	Return on average assets, or income after taxes divided by average net admitted assets
Leverage	Total liabilities divided by total assets
High Leverage	Dummy variable that equals one if the leverage of an insurer in 2010 is above median and zero otherwise
Disposable Income	Per capita disposable personal income, or total disposable personal income divided by total midyear population estimates of the Census Bureau, defined in million dollars
Employment	Total employment, or the number of occupied positions (in millions) in each state in each year
Real GDP	The real Gross Domestic Product (millions of chained 2017 dollars) in each state in each year
Political Donations	An insurance company's and/or its employees' contributions to candidates or political committees in the current election cycle
High Donations	Dummy variable that equals one if the contributions received by politicians or political committees in a state are above the median and zero otherwise
Lagged Political Donations	An insurance company's and/or its employees' contributions to candidates or political committees in the previous election cycle

Lagged Corruption Exposure	The product of each insurer's and/or its employees' contributions to each state and the corruption index of each state, summed across states for each insurer in the previous election cycle.