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

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Abstract

This paper examines how campaign finance distorts regulation in the U.S. health insurance industry. Using firm–state–year level data on political donations and financial outcomes of health insurers from 2002 to 2022, I document a transactional pay-to-play channel through which campaign contributions purchase regulatory leniency and public contracts. Insurers donating more to politicians in high-corruption states obtain higher Medicare and Medicaid premiums and face less supervisory scrutiny, increasing profitability. Exploiting McDonnell v. United States, which raised the legal threshold for corruption prosecutions, I find that insurers' donations and public insurance premiums rise disproportionately in high-corruption states after the ruling. The effects are strongest for highly leveraged insurers and donations to federal election candidates, consistent with shareholders' risk-taking incentives and politicians' career concerns. While political contributions yield private benefits, they reduce healthcare accessibility for disadvantaged groups, revealing the social costs of regulatory capture.

Keywords: Campaign contribution; Health insurance; Pay-to-play; Regulatory capture
JEL Codes: D72, D73, H75, I10, I13

1. Introduction

In the United States, the unaffordability of health insurance is a pressing social issue.[1] Various mechanisms of political rent-seeking, such as lobbying and revolving doors, may increase health insurance premiums (Kanter and Carpenter, 2023; Steinbrook, 2009). This paper studies whether and how political contributions by health insurers distort regulation and healthcare costs.

The U.S. health insurance market provides an ideal setting to study how campaign contributions distort regulation. Healthcare expenditures account for nearly one-fifth of U.S. GDP, and a large share flows through private insurers participating in public programs such as Medicaid managed care and Medicare Advantage. State officials have extensive discretion over licensing, rate approvals, and the allocation of public insurance contracts, as well as over financial examinations and corrective guidance.[2] The industry is also among the largest corporate donors to political campaigns. These features create strong incentives for pay-to-play arrangements in which insurers exchange donations to state officials for favorable regulatory and contractual treatment.

Using granular data on political donations, financial performance, and regulatory outcomes from 2002 to 2022, I test whether political contributions generate measurable regulatory and financial advantages for health insurers. Insurers' granular reporting of annual premiums in each state in National Association of Insurance Commissioners (NAIC) filings enables sharp identification of these relationships.

I provide evidence of favor exchanges between health insurers and state officials. Using insurer-state-year level data, I find that insurers donating more to states with high levels of pre-existing corruption receive significantly higher total, Medicaid, and Medicare premiums from those states. The relationship is strongest for Medicaid, consistent with greater state-level discretion over contracting, pricing, and oversight of state-administered Medicaid relative to

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

[2] Private health insurance companies can become contractors of large public insurance programs. According to data from Centers for Medicare & Medicaid Services, Medicare and Medicaid together account for roughly 40 percent of total U.S. health expenditures, and about three-quarters of Medicaid enrollees receive coverage through private Managed Care Organizations in 2023.

federally administered Medicare. Because states with higher corruption tend to have weaker legal institutions and greater potential returns to rent-seeking, politicians in these environments are more likely to exchange public insurance contracts and regulatory favors for campaign contributions.

I then exploit the Supreme Court's 2016 McDonnell v. United States ruling as a quasi-natural experiment, which raised the threshold for corruption prosecutions and weakened anti-corruption enforcement. This design allows me to compare insurers' political activity and regulatory outcomes in high- and low-corruption states before and after the enforcement shock. I find that both political donations and public insurance premiums rise disproportionately in high-corruption states following the ruling. Insurers' Medicaid and Medicare premiums from high-corruption states increase by about $15 million relative to those from low-corruption states after 2016. The results indicate that weaker enforcement increases the returns to political influence.

Campaign contributions also appear to buy regulatory leniency and improve profitability. Insurers that donate more, particularly in corruption-prone states, are less likely to receive corrective regulatory guidance after financial examinations, suggesting that campaign contributions relax oversight and lower compliance costs. In addition, donations predict better financial performance. A one-percentage-point increase in insurers' corruption-weighted contributions to federal elections is associated with a 9.4-percentage-point increase in operating ROE in the subsequent election cycle, implying that political contributions yield substantial private returns comparable to major corporate investments.

These effects are not uniform across donation and insurer types. Contributions directed to federal election candidates have stronger effects on financial performance and oversight than donations to state and local candidates or political committees, which can be explained by politicians' career concerns and the feasibility of quid pro quo. Compared with those running for positions in the state government, state officials running for federal races have weaker local career concerns, which incentivizes them to be less accountable to local constituencies and to extract more rents. Compared with donations to candidates, contributions routed through broad

committees are less tightly linked to specific decision-makers and thus less conducive to quid pro quo arrangements.

The effects are also stronger for highly leveraged insurers, consistent with shareholders' risk-taking incentives. As political contributions are highly risky investments (Gordon, Hafer, and Landa, 2007), the asset substitution hypothesis proposed by Jensen and Meckling (1976) predicts that shareholders of highly leveraged firms have greater incentives to gamble on political access. After McDonnell v. United States (2016) raised the legal threshold for corruption prosecutions, highly leveraged insurers' Medicaid and Medicare premiums from high-corruption states increased by approximately $31 million and $32 million, respectively, relative to those from low-corruption states. Total premiums remain relatively unchanged, indicating that highly leveraged insurers shifted their revenue composition toward public insurance programs after 2016. This pattern suggests that financial pressure intensifies rent-seeking, potentially worsening allocative efficiency and increasing the risk of future reimbursement failures in public insurance programs.

Overall, the findings suggest a pay-to-play mechanism involving health insurance companies and state officials. Using their discretionary power and networks, state officials receiving donations from insurers may offer regulatory slack and public insurance contracts, which increase insurers' profitability. Highly leveraged insurers are more inclined to buy influence when enforcement is weak, and officials with weaker accountability or higher career ambitions are more willing to exchange regulatory favors for contributions. These private benefits come at sizable social costs. States with both high insurer donations and high corruption experience higher healthcare costs, reduced access, and worse health outcomes, especially for low-income and minority populations. In these states, a larger share of adults, particularly Hispanics and Blacks, report being unable to afford doctor visits, and suicide rates are higher than those predicted by high donations or high corruption alone: roughly 35 additional male suicides and 18 additional female suicides per year. The incremental male-to-female suicide ratio of about 2, compared with an average ratio of 4, implies a stronger impact

of rising healthcare costs on women.[3] These patterns suggest that health insurers capture rents from political donations while shifting the costs onto consumers and taxpayers, reducing healthcare access most sharply for disadvantaged groups. Campaign finance may be an underrecognized driver of U.S. healthcare inflation and health inequality.

The paper makes three main contributions at the intersection of health insurance, political economy, and corporate finance. First, I provide direct evidence of regulatory capture in health insurance through a transactional pay-to-play mechanism that redistributes value from consumers and taxpayers to politicians and insurers. Prior work shows that political connections and campaign contributions affect the allocation of public resources and enforcement through municipal underwriting contracts (Butler, Fauver, and Mortal, 2009), government funding during crisis (Duchin and Sosyura, 2012), lenient sanctions for fraudulent executives (Fulmer, Knill, and Yu, 2023), and pay-to-play arrangements between municipal issuers and rating agencies (Cornaggia, Cornaggia, and Israelsen, 2023). Using granular data and a difference-in-differences design, I show that campaign contributions translate into higher total, Medicaid, and Medicare premiums, as well as weaker supervisory enforcement.

Second, my results show that the level of political rent-seeking depends critically on legal and institutional constraints, contributing to the literature on corruption and institutions. By interacting state-level corruption with the McDonnell v. United States shock and firm-level financial conditions, my paper shows that weaker anti-corruption enforcement and greater financial pressure on insurers jointly amplify the returns to political giving, especially for donation types that align with politicians' career incentives.

Third, the paper contributes to the corporate political activity literature in finance and to the debate on whether campaign contributions are investments or expressions of ideologies. Prior work shows that political connections and contributions can generate significant private benefits for firms, including higher stock returns, bailouts, and preferential resource allocation (Akey, 2015; Cooper, Gulen, and Ovtchinnikov, 2010; Faccio, Masulis, and McConnell, 2006; Fazekas, Ferrali, and Wachs, 2023; Schoenherr, 2019). At the same time, other studies argue

[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.

that corporate donations often do not yield large financial gains and may instead reflect other motives (Aggarwal, Meschke, and Wang, 2012; Ansolabehere, de Figueiredo, and Snyder, 2003; Fouirnaies and Fowler, 2022; Fowler, Garro, and Spenkuch, 2020). My results suggest that insurers' contributions to federal election candidates behave like investment-motivated donations that purchase firm-specific regulatory and financial advantages, whereas contributions to political committees and local elections are less strongly associated with private returns.

The remainder of the paper proceeds as follows. Section 2 presents the background and hypotheses. 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

U.S. health care is the most expensive in the world, and a range of non-political forces help explain high and rising costs. Income growth, medical progress, and the expansion of transfer programs such as Medicare increase both health spending relative to GDP and the value placed on health at higher income levels (Hall and Jones, 2007; Jones, 2002). Market and institutional frictions further raise costs. For example, complex billing and administrative processes erode provider revenues (Dunn et al., 2024), employer incentives favor broad-network plans over cheaper narrow-network options (Tilipman, 2022), and search frictions increase commercial health insurance premiums and turnover (Cebul et al., 2011). Market structure and program design also matter. Rising concentration in health insurance and prescription drug markets pushes up premiums and out-of-pocket expenditures (Chatterji et al., 2024; Dafny, 2010; Dafny, Duggan, and Ramanarayanan, 2012; Tebaldi, 2024), mandated insurance coverage increases treatment intensity and costs (Hamilton et al., 2018), industry representation on Medicare's price-setting committee raises physician fees and weakens the evidentiary basis of proposals (Chan and Dickstein, 2019), and the structure and regulation of public programs affect efficiency and spending (Decarolis, 2015; Duggan, 2004). More broadly, regulations on pricing, solvency, and coverage region shape enrollment, premiums, plan variety, market concentration, and counterparty risk in insurance markets (Aizawa and Ko, 2023; Curto,

2023; Dickstein et al., 2015; Oh, Sen, and Tenekedjieva, 2025; Sastry, Sen, and Tenekedjieva, 2023).

The health insurance sector provides an ideal setting to study how campaign contributions influence regulatory outcomes. The industry is both economically significant and politically active. Healthcare spending accounts for nearly one-fifth of U.S. GDP, and private insurers are major corporate donors to political campaigns. Besides high industry concentration and opaque pricing, which make it prone to political rent-seeking (Mauro, 1998; Shleifer and Vishny, 1993), the health insurance sector also has heavy regulation and large public programs. State officials, including governors, insurance commissioners, and health department officials, can significantly influence insurers' revenues and profitability through licensing, rate approvals, public program contracting, and financial oversight. State officials allocate Managed Care Organization (MCO) licenses, select Medicaid contractors, set Medicaid capitation rates, coordinate with federal programs, approve premium increase requests, and conduct financial examinations.[4] State officials possess substantial discretion, as subjective assessments rather than mechanical rules apply to dimensions such as network adequacy, plan credibility, and proposal reasonableness. Regulatory frictions induce insurers to exit or underprice in strictly regulated states (Oh, Sen, and Tenekedjieva, 2025). At the same time, government contracts are lucrative for health insurers, involving large groups of enrollees and public funds.[5]

Many insurance regulators are elected politicians who need campaign financing to run for elections. State governors appoint health department heads and insurance commissioners in most states, while voters directly elect insurance commissioners in a few states (such as California, Delaware, North Carolina, Georgia, and Oklahoma). State officials may seek reelection or higher federal office, and their prospects depend heavily on campaign spending

[4] MCO licenses are prerequisites for eligibility as contractors in various government programs, including Medicaid, Medicare Part C and D, and Medigap. State officials can select Medicaid contractors and set capitation rates, but they can only indirectly influence Medicare Part C, Medicare Part D, and Medigap premiums via licensing, market environment, and Medicaid coordination. According to State Effective Rate Review Programs from Centers for Medicare & Medicaid Services, premium increases of 15% or more for individual or small group products require regulatory reviews.

[5] 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 about $7,800 per enrollee, which amounts to around $472 billion in total contract value.

(Jacobson and Carson, 2019), which large individual and corporate donors support with both money and networks (Battaglini et al., 2024).[6] Existing evidence shows that regulatory discretion responds to political incentives. State regulators relax life insurers' capital requirements to attract business and tax revenues (Tang, 2022), and long-term care insurers are more likely to obtain product approvals after election years, while regulators with greater accumulated campaign contributions are less likely to approve premium increases (Liu and Liu, 2024).

The combination of large public spending, broad regulatory discretion, and intensive political activity in health insurance creates fertile ground for political influence and motivates the question of whether campaign contributions further distort regulation and pricing beyond the economic and institutional forces already documented. In the market for regulatory influence, politicians and regulators exchange favorable policies for political or financial support from firms (Stigler, 1971; Laffont and Tirole, 1991). When regulatory discretion is broad and enforcement constraints are weak, the expected private return on such exchanges can be high.

Previous studies show that firms use political contributions to obtain government contracts and public funding, political access, preferential bank financing, and regulatory leniency (Adelino and Dinc, 2014; Akey, 2015; Ayyagari, Knill, and Syvrud, 2024; Butler et al., 2009; Claessens, Feijen, and Laeven, 2008; Duchin and Sosyura, 2012; Fulmer, Knill, and Yu, 2023; Kalla and Broockman, 2016). While some studies find that political contributions increase firm performance (Akey, 2015; Claessens, Feijen, and Laeven, 2008; Cooper, Gulen, and Ovtchinnikov, 2010), others document weak financial payoffs and emphasize non-pecuniary motives for political contributions (Ansolabehere, de Figueiredo, and Snyder, 2003; Fowler, Garro, and Spenkuch, 2020; Goldman, Rocholl, and So, 2009). Within insurance markets, Born, Karl, and Powell (2024) show that insurers donate more to candidates from the same party as incumbent insurance regulators.

[6] Although it is not the sole determinant of electoral outcomes, campaign spending is a critical factor for election success. According to OpenSecrets, the top spending candidates win 71.43%-97.54% of the races in U.S. House or Senate elections during 2000-2024. See https://www.opensecrets.org/elections-overview/winning-vs-spending

In this paper, I ask whether state officials trade regulatory favors for campaign contributions. Using their discretionary power, state officials may exchange regulatory favors for campaign contributions. Specifically, state officials may directly or indirectly approve more license applications and rate increase requests, steer public program contracts, or overlook compliance weaknesses in financial examinations, for insurers donating to their campaigns. 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. As a mechanism of regulatory capture, pay-to-play differs from lobbying and revolving doors in that politicians advance their political careers by offering firms-specific regulatory favors.

Because most states lack effective pay-to-play laws for public officials (Bromberg, Hartley, and Mohammed-Spigner, 2017), the expected returns to the quid pro quo are relatively high, and potentially higher after recent campaign finance reform and technological changes. Effective campaign finance restrictions lead to stable campaign spending to GDP from 1912 to 2000 (Ansolabehere, De Figueiredo, and Snyder, 2003). However, recent events, such as Citizens United v. FEC in 2010, loosened the restrictions, after which campaign spending has skyrocketed, with insurers among the top political donors.[7] Escalating election costs may compel politicians to solicit campaign contributions more aggressively than in previous decades. In addition, widespread automation in health insurance companies may increase rent-seeking over production, as firms can use new technology to appropriate profits from competitors and raise prices (American Hospital Association, 2024; Glode and Ordonez, 2025; NAIC, 2025).

If the pay-to-play is prevalent in the health insurance industry, another question is whether campaign donations increase donors' premiums and profitability at the expense of non-donors and consumers. Previous studies show that political rent-seeking leads to negative social externalities, such as financial losses from misallocation of public funding (Duchin and Sosyura, 2012; Khwaja and Mian, 2005; Faccio, Masulis, and McConnell, 2006). Pay-to-play

[7] 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

may increase the cost of health insurance due to the distortion of resource allocation and value transfer from consumers to rent-seekers.

The expected returns to rent-seeking differ across states due to varying institutional quality, enforcement capacity, and political accountability. Where institutions are weaker, the legal and reputational costs of corruption are lower, and the private gains from trading regulatory favors for contributions are larger. By contrast, stronger rule-of-law, active local oversight, and tighter anti-corruption norms reduce the feasibility and expected value of such transactions. Identical donations should produce larger financial payoffs in states with persistently higher corruption levels, which tend to have higher expected returns to rent-seeking.

Insurer incentives for rent-seeking vary with their financial leverage. In the agency problem of asset substitution, equityholders in highly leveraged firms have a greater incentive to pursue risky projects because potential losses are shared with debtholders (Jensen and Meckling, 1976). Political contributions are a risky, goodwill-like investment with uncertain and rare rewards (Gordon, Hafer, and Landa, 2007), so their marginal return is relatively more attractive to highly leveraged firms. Consistent with theoretical predictions, highly leveraged firms take more risks (Bhagat, Bolton, and Lu, 2015; Koudstaal and van Wijnbergen, 2012) and financially weaker firms increase political spending in periods of stress (Adelino and Dinc, 2014). Mohan and Zhang (2014) find that public pension funds with worse funding status take more risks, which supports risk shifting. Firms operating in more corrupt environments also tend to have lower liquidity and higher leverage (Smith, 2016), reinforcing the link between weak institutions and risk-taking. Together, these facts imply a testable prediction that insurers with higher leverage are more likely to invest in political favors than better-capitalized peers.

Based on the analysis above, I have the following hypotheses that guide the empirical analysis:

H1. Health insurers that contribute more to politicians in high-corruption states obtain higher total, Medicare, and Medicaid premiums from those states.

H2. The positive relationship between political contributions and premiums is stronger among highly leveraged insurers.

H3. Insurers making larger political contributions, particularly in high-corruption states, are less likely to receive corrective regulatory guidance during financial examinations.

H4. Political donations by health insurers increase healthcare costs and reduce access to care, especially in states with weaker institutions.

Together, these hypotheses test whether campaign contributions facilitate a transactional form of regulatory capture in the health insurance industry, generating private rents for firms while increasing social costs. The next section describes the data and empirical strategy used to test these hypotheses.

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.[8] 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 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 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.

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

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. 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 conduct difference-in-differences tests based on the US Supreme Court case on McDonnell v. United States, which increased the standard for corruption convictions. 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 increased 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. 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. 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.

McDonnell v. United States has heterogeneous treatment effects across states with different legal institutions. High-corruption states tend to align their prosecutorial strategies with the narrowed federal standard after 2016, which reduces the number of corruption charges and increases the private returns on 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. 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. To capture the heterogeneous treatment effects, I classify treatment states as high-corruption states and control states as low-corruption states.

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 leverage to identify the effect of a higher corruption threshold on political rent-seeking. 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.

$$\text{Premium}_{i,j,t} = \alpha + \beta \cdot \text{High Corruption}_{j} \cdot \text{Post}_{t} \cdot \text{High Leverage}_{i} + \gamma \cdot \text{Controls}_{i/j,t} + \eta_i + \mu_t + \varepsilon_{i,j,t} \quad (3)$$

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 Post_{t} are defined the same as before. 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 enforcement 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. 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. In contrast, 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. Previous studies show that health insurance subsidizes consumers and reduce mortality, which is especially important for low-income individuals (Crew, 1969; Garber, Jones, and Romer, 2006; 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). 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.

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

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. Many studies show that rent-seeking and corruption distort the allocation of resources and cause negative social consequences (Bertrand et al., 2007; Colonnelli et al., 2020; Fisman et al., 2018; Fisman and Wang, 2015; Khwaja and Mian, 2005; Mauro, 1995; Sequeira, 2016; Xu, 2018).

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 and 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.