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Firm Investment in Human Health Capital

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All Comments Most Welcome

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Abstract

In 2005, U.S. employers spent more than \$500 billion on health insurance. I argue that firms invest in worker health to mitigate the depreciation in human capital that occurs when workers get sick, which increases the productivity of human and physical capital. Using firm-level health insurance data, I find firms that have higher labor productivity, spend more on research and development, and are larger invest more in health capital. Further, health capital investment positively affects firm value and overall productivity. To identify these effects, I instrument for insurance with state mandates and the number of persons covered by insurance contracts.

Keywords: Human capital; health insurance; intangible assets; investment; market valuation

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