UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2009

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

001-33071
(Commission File Number)

EHEALTH, INC.
(Exact name of registrant as specified in its charter)

Delaware	**56-2357876**
(State of incorporation)	**(I.R.S. Employer Identification No.)**

440 EAST MIDDLEFIELD ROAD
MOUNTAIN VIEW, CALIFORNIA 94043
(Address of principal executive offices, including zip code)

(650) 584-2700
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.001 per share	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☐ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

Based on the closing price of the registrant's common stock on the last business day of the registrant's most recently completed second fiscal quarter, which was June 30, 2009, the aggregate market value of its shares (based on a closing price of $17.66 per share) held by non-affiliates was $334,031,536. Shares of the registrant's common stock held by each executive officer and director and by each entity or person that owned 5 percent or more of the registrant's outstanding common stock were excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 26, 2010, 23,477,348 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2010 Annual Meeting of Stockholders to be held on June 15, 2010 are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent stated herein.

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EHEALTH, INC. FORM 10-K

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PART I

ITEM 1. BUSINESS

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements include, among other things, statements concerning elements of our strategy; expenditures related to the development of our business; factors on which our future growth will depend; factors that influence conversion rates; our plan to market and sell Medicare products and the factors on which our success will depend; our plans to expand our operations and enter into relationships with marketing partners in China; expansion of aspects of our business; sufficiency of our existing facilities to meet future needs; our plan not to pay dividends in the foreseeable future; our expected investment in 2010 in our Medicare business; our expectation that total revenue will increase in absolute dollars; our expectation that our cost of revenue-sharing expense will decrease in absolute dollars; exploration of new marketing initiatives; our expectation that marketing and advertising expenses will increase in absolute dollars and as a percentage of revenue; increase in our cost of acquiring members and factors impacting such increase; our expectation that customer care and enrollment, technology and content and general and administrative expenses will increase in absolute dollars; estimates relating to critical accounting policies and related impact on our financial statements; our expectation that stock based compensation will increase; our utilization of certain tax benefits and the related impact on our financial statements and our cash outlay for taxes for 2010; expectations regarding our future effective tax rate; our expectation regarding interest and other income, net as a percentage of total revenue in 2010; the sufficiency of our cash, cash equivalents and marketable securities; future capital requirements; our intention to invest in a variety of instruments; our potential for collection issues with health insurance carriers; as well as other statements regarding our future operations, financial condition, prospects and business strategies. These forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this report, and in particular, the risks discussed under the heading "Risk Factors" in Part I, Item 1A of this report. The following discussion should be read in conjunction with our audited consolidated financial statements and related notes that appear elsewhere in this report. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements.

General

We are the leading online source of health insurance for individuals, families and small businesses. Our ecommerce platform enables individuals, families and small businesses to research, analyze, compare and purchase health insurance products that best meet their needs. Our technology also enables us to communicate electronically with our insurance carrier partners and process consumers' health insurance applications online. As a result, we simplify and streamline the complex and traditionally paper-intensive health insurance sales and purchasing process.

Since our incorporation in November 1997, we have invested heavily in technology and content related to our ecommerce platform. We have also invested significant time and resources in obtaining licenses to sell health insurance in all 50 states and the District of Columbia, developing diverse and successful member acquisition programs and establishing relationships with over 180 leading insurance carriers, enabling us to offer thousands of health insurance products online. Our first online transaction relating to the sale of a health insurance policy was completed during the fourth quarter of 1998. Our ecommerce platform can be accessed directly through our website addresses (*www.ehealth.com and www.ehealthinsurance.com*) in the United States as well as through our network of marketing partners.

We generate revenue primarily from commissions we receive from health insurance carriers whose policies are purchased through us by individuals, families and small businesses. We typically receive commission payments on a monthly basis for as long as a policy remains active. As a result, much of our revenue for a given financial reporting period relates to policies that we sold prior to the beginning of the period and is recurring in nature. Because health insurance pricing is set by the carrier and approved by state regulators, health insurance pricing is fixed. We, therefore, are not generally subject to negotiation or discounting of health insurance prices by health insurance carriers or our competitors.

In addition to the commission revenue we derive from the sale of health insurance products, we derive revenue from our online sponsorship advertising program and from licensing the use of our ecommerce technology. Our sponsorship advertising program allows carriers to purchase advertising space in specific markets in a sponsorship area on our website. Our technology licensing business allows carriers to offer their own health insurance policies on their websites and agents to utilize our technology to power their online quoting, content and application submission processes. In both our sponsorship and our technology licensing businesses, we are typically paid performance-based fees.

We were incorporated in Delaware in November 1997. Our headquarters are located at 440 East Middlefield Road, Mountain View, California 94043, and our telephone number is (650) 584-2700. Our corporate internet website addresses are *www.ehealth.com* and *www.ehealthinsurance.com.*We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, available free of charge on the Investor Relations page of our web site as soon as reasonably practicable after we file these reports with the Securities and Exchange Commission. The information on or that can be accessed through our websites is not part of this Annual Report on Form 10-K. Further, a copy of this Annual Report on Form 10-K is located at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding our filings at *http://www.sec.gov*.

Industry Background

Individual, family and small business health insurance has historically been sold by independent insurance agents and, to a much lesser degree, directly by insurance companies. Most of these agents are self-employed or part of small agencies, and they typically service only their local communities. In addition, many of these agents sell health insurance from a limited number of insurance carriers (in some cases only one), resulting in a reduced selection of products for the consumer.

The purchase and sale of health insurance has historically been a complex, time-consuming and paper-intensive process. This complexity can make it difficult to make informed health insurance decisions. In addition, the human error that arises from traditional paper-intensive distribution has historically resulted in a high number of incomplete and inaccurate applications being submitted to health insurance carriers. Incomplete and inaccurate paper applications often result in back-and-forth communications, delay and additional cost. The Internet's convenient, information-rich and interactive nature offers the opportunity to provide consumers with more organized information, a broader choice of products and a more efficient process than have typically been available from traditional health insurance distribution channels.

Our Strategy

Our objective is to continue to strengthen our position as the leading online distribution platform for health insurance sold to individuals, families and small businesses.

Key elements of our strategy are to:

Increase Our Brand Awareness. We believe that building greater awareness of our brand is critical for our continued growth. A significant percentage of our website traffic is direct, and we intend to attempt to grow our direct website traffic by strengthening our brand awareness through a variety of marketing and public relations efforts.

Offer the Best Consumer Experience. We believe that providing the best consumer experience increases market adoption of our services, builds our brand awareness, drives word-of-mouth referrals and improves our visitor-to-member conversion rates. We intend to continue to further develop an online experience that empowers consumers with the knowledge, choice and services they need to select and purchase health insurance plans that best meet their needs.

Extend Our Technology Leadership. We believe that our technology infrastructure and online platform give us a significant competitive advantage for the distribution of individual, family and small business health insurance. To extend our leadership position, we plan to continue to enhance our platform and its key capabilities to increase functionality, reliability, scalability and performance.

Broaden Our Carrier Network and Product Portfolio. Our goal is to continue to add new health insurance carriers and products to our ecommerce platform. We also seek to deepen our technology integration with our carrier partners, allowing us to further streamline the sales, underwriting and member fulfillment processes and increase revenue opportunities for us and our carrier partners.

Expand Our Network of Marketing Partners and Other Member Acquisition Programs. We plan to develop and expand our marketing relationships with banking, insurance, mortgage and other Internet services and association partners. We also plan to continue our investments in other member acquisition sources such as traditional media, paid search and other forms of online advertising.

Expand our Technology Licensing Business. Our technology licensing business allows health insurance carriers to use our ecommerce platform to market and sell their own health insurance products on their websites. It also allows their agents to utilize our technology to power online quoting, content and application submission processes. We intend to attempt to further penetrate the market for online sales solutions for health insurance carriers and their agents. Growth in this business will allow us to enter new markets and participate in business transacted in the traditional agent distribution channel.

Grow Our Online Sponsorship Advertising Business. Our online sponsorship advertising business allows carriers to purchase advertising space in specific markets in a sponsorship area on our website, much like paid search on Google or Yahoo!. Our sponsorship program enables carriers to achieve cost-effective advertising campaigns, because their advertisements are targeted directly to consumers shopping for health insurance products in specific markets. We intend to attempt to further expand our sponsorship program to additional health insurance carriers, markets and products.

Extend our Business to the Sale of Health Insurance to Seniors. We plan to continue to extend our business to market health insurance products to senior citizens, including Medicare Supplement, Medicare Advantage and Medicare Part D policies. We intend to continue to extend the capabilities of our ecommerce platform to market these products and to enter into relationships with health insurance carriers to act as an agent in their sale.

Our Platform and Technology

Our ecommerce platform organizes and presents voluminous and complex health insurance information in an unbiased and objective format and empowers individuals, families and small businesses to research, analyze, compare and purchase a wide variety of health insurance products. The products we offer include major medical health insurance coverage such as preferred provider organization, health maintenance organization and indemnity plans, short-term medical insurance, student health insurance, health savings account eligible health insurance plans and ancillary products such as dental, vision and life insurance.

Elements of our platform include:

Online Rate Quoting and Comprehensive Plan Information. Our ecommerce platform instantly provides consumers online rate quotes and comprehensive plan benefit information from a large number of health insurance carriers. After entering a minimal amount of relevant information on our website, such as zip code, gender, age, date of birth, smoker or non-smoker and student status, our platform allows consumers to instantly receive a list of applicable health insurance products and rate and benefit information in an easy-to-understand format. The consumer can sort through the quoted plans based on price, health insurance carrier, deductible amount, or search the list of quoted plans to obtain a subset based on certain consumer preferences.

Plan Comparison and Recommendations. We offer online comparison and recommendation tools that distill voluminous health insurance information. Our ecommerce platform enables consumers to compare and contrast health insurance plans in a side-by-side format based on plan characteristics such as price, plan type, deductible amount, co-payment amount and in-network and out-of-network benefits. To further assist consumers, our automated recommendation capability presents a short series of questions and recommends up to four health insurance plans based on the consumer's input.

Online Application and Enrollment Forms. Health insurance applications vary widely by carrier and state. Our proprietary graphical Application Designer Tool allows us to capture each application's unique business rules and build a corresponding online application in XML format. Our online application process offers our consumers significant improvements over the traditional, paper-intensive application process. It employs dynamic business logic to help individuals and families complete application and enrollment forms correctly in real-time. This reduces delay resulting from application rework, a significant problem with traditional health insurance distribution, where incomplete applications are mailed back and forth between the consumer, the traditional agent and the carrier. We further simplify the enrollment process by accepting electronic signature and electronic payment from our consumers.

Electronic Processing Interchange. Our Electronic Processing Interchange (EPI) technology integrates our online application process with health insurance carriers' technology systems, enabling us to electronically deliver our consumers' applications to health insurance carriers. This expedites the application process by eliminating manual delivery and reducing the need for data entry and human review. Through EPI, we also receive alerts and data from carriers, such as notification of underwriting approval or a request from a carrier for a consumer's medical records for underwriting purposes, which we then relay electronically to the consumer. These features of our service help prevent applications from becoming delayed or rejected through inactivity of the consumer or the carrier.

Back Office Systems. Our proprietary back office customer relationship management system enables us to provide a full range of customer service tasks in an efficient, highly scalable and personalized manner. Using these tools, we can track each consumer throughout the application process, obtain real-time updates from the carrier, generate automated emails specific to each consumer and access a cross-sell engine and dashboard to identify and track cross-sell opportunities. Our auto-email system is feature-rich with HTML capability, customizable merge tags, granular segmentation and tracking capability.

Carrier Relationships

We have developed partnerships with leading health insurance carriers in the United States, enabling us to offer thousands of health insurance products online. As of December 31, 2009, we had relationships with over 180 carriers, including large national carriers such as Aetna, Humana, UnitedHealthcare and Wellpoint, over 40 BlueCross BlueShield carriers, and well-established regional carriers such as Health Net, Kaiser Permanente and Unicare. We typically enter into contractual agency relationships with health insurance carriers that are non-exclusive and terminable on short notice by either party for any reason. Revenue derived from Aetna represented approximately 16% of our total revenue in 2009, and revenue derived from carriers owned by Wellpoint and UnitedHealthcare represented approximately 15% and 14% of our total revenue in 2009, respectively. Our agreements with each of these carriers are terminable on short notice.

Marketing

We focus on building brand awareness, increasing website visitors and converting visitors into buyers. Our marketing initiatives are varied and numerous. They include:

Direct Marketing. Our direct member acquisition channel consists of consumers who access our website addresses (*www.ehealth.com* and *www.ehealthinsurance.com*) either directly or through algorithmic search listings on Internet search engines and directories.

Online Advertising. Our online advertising member acquisition channel consists of consumers who access our website through paid keyword search advertising from search engines such as Google, MSN and Yahoo!, as well as various Internet marketing programs such as banner advertising and email marketing.

Marketing Partners. Our marketing partner member acquisition channel consists of consumers who access our website through a network of affiliate partners and financial services and other companies. We have established a pay-for-performance network, comprised of hundreds of partners that drive consumers to our ecommerce platform. These partners fall into three general categories:

- Financial and online services partners in industries such as banking, insurance, mortgage and association partners.
- Affiliate programs, including our marketing programs managed through Commission Junction.
- Online advertisers and content providers that are specialists in paid and unpaid (algorithmic) search, as well as specialists in other types of Internet marketing.

We generally compensate our partners for their consumer referrals based on the consumer submitting a health insurance application to us. If a partner is licensed to sell health insurance, we may share a percentage of the revenue we earn from the carrier for each member referred by that partner.

Technology and Content

We have a technology and content team consisting of 178 full-time employees as of December 31, 2009, of which 51 are located at our Mountain View and Gold River locations and 127 are located at our subsidiary in Xiamen, China. Our technology and content team is responsible for ongoing enhancements to the features and functionality of our ecommerce platform, which we believe are critical to maintaining our technology leadership position in the industry.

Government Regulation and Compliance

We distribute health insurance products in all 50 states and in the District of Columbia. The health insurance industry is heavily regulated. Each of these jurisdictions has its own rules and regulations pertaining to the offer and sale of health insurance products, typically administered by a department of insurance. State insurance departments have administrative powers relating to, among other things: regulating premium prices; granting and revoking licenses to transact insurance business; approving individuals and entities to which commissions can be paid; regulating advertising, marketing and trade practices; monitoring broker and agent conduct; and imposing continuing education requirements. We are required to maintain valid life and/or health agency and/or agent licenses in each jurisdiction in which we transact health insurance business.

We also have a non-business-transacting (Bei An) Internet Content Provider (ICP) registration from the Ministry of Information Industry in China and a business-ancillary (Jian Ye) insurance agency license from the China Insurance Regulatory Commission (CIRC), which permits the sale of health, accident and life insurance in the Fujian province in China.

Intellectual Property

We rely on a combination of trademark, copyright and trade secret laws in the United States and other jurisdictions as well as confidentiality procedures and contractual provisions to protect our proprietary technology and our brand. Our eHealth and eHealthInsurance trademarks have reached incontestability status with the U.S. Patent and Trademark Office, which means the marks have been in use for over five years and, subject to certain limited exceptions, no third party can contest the validity of the marks or our ownership of them. We also have filed patent applications that relate to certain of our technology and business processes.

Competition

The market for selling health insurance products is highly competitive. We compete with entities and individuals that offer and sell health insurance products utilizing traditional distribution channels, as well as the Internet. Our current or potential competitors include the tens of thousands of local insurance agents across the United States who sell health insurance products in their communities. There are a number of agents that operate websites and provide an online shopping experience for consumers interested in purchasing health insurance (e.g., online quoting of health insurance product prices). Some local agents use “lead aggregator” services that use the Internet to find consumers interested in purchasing health insurance and are compensated for referring those consumers to the traditional agent. Most online agents operate in only one or very few states, and some represent only one or a limited number of health insurance carriers. In addition to health insurance brokers and agents, many health insurance carriers directly market and sell their plans to consumers through call centers and their own websites. Although we offer health insurance plans for many of these carriers, they also compete with us by offering their products directly to consumers.

Seasonality

The number of health insurance applications submitted through our ecommerce platform has generally increased in our first quarter compared to our fourth quarter and in our third quarter compared to our second quarter. Conversely, we have generally experienced a decline or flattening of submitted applications in our second quarter compared to our first quarter and in our fourth quarter compared to our third quarter. Since a significant portion of our marketing and advertising expenses are driven by the number of health insurance applications submitted on our ecommerce platform, those expenses are influenced by these patterns. The reasons for these seasonal patterns are not entirely clear. As our business matures, other seasonality trends may develop and the existing seasonality and consumer behavior that we experience may change.

Employees

As of December 31, 2009, we had 520 full-time employees, of which 40 were in marketing and advertising, 185 were in customer care and enrollment, 178 were in technology and content and 117 were in general and administrative. None of our employees are represented by a labor union. We have not experienced any work stoppages and consider our employee relations to be good.

MANAGEMENT

Executive Officers

The following table sets forth our current executive officers and their ages and the positions they held as of December 31, 2009.

Name	Age	Title
Gary L. Lauer	56	President and Chief Executive Officer
Stuart M. Huizinga	47	Senior Vice President and Chief Financial Officer
Robert S. Hurley	50	Senior Vice President of Carrier Relations
Bruce A. Telkamp	42	Executive Vice President of Business and Corporate Development
Dr. Sheldon X. Wang	50	Executive Vice President of Technology and Chief Technology Officer

Gary L. Lauer. President and Chief Executive Officer. Mr. Lauer has served as president and chief executive officer since December 1999, and as chairman of our board of directors since March 2002. Prior to joining us, Mr. Lauer was the chairman and chief executive officer of MetaCreations Corporation. Prior to MetaCreations, Mr. Lauer spent more than nine years at Silicon Graphics, Inc., a computing technology company, where he was a member of the senior executive team. Mr. Lauer started his career at IBM in sales and marketing management. Mr. Lauer holds a B.S. degree in finance and marketing from the University of Southern California Business School.

Stuart M. Huizinga. Senior Vice President and Chief Financial Officer. Mr. Huizinga has served as senior vice president and chief financial officer since May 2000. Previously, Mr. Huizinga was a partner at Arthur Andersen LLP, an accounting firm. Mr. Huizinga holds a B.S. degree in business administration from San Jose State University and is a Certified Public Accountant (inactive) in the state of California.

Robert S. Hurley. Senior Vice President of Carrier Relations. Mr. Hurley has served as senior vice president of carrier relations since May 2007. Prior to becoming senior vice president of carrier relations, Mr. Hurley served as vice president of strategic initiatives from September 2003 to May 2007 and was responsible for our public and government relations efforts. From April 1999 to September 2003, Mr. Hurley was responsible for our customer care and enrollment functions. Mr. Hurley served as an associate vice president of sales and operations for the consumer business segment at Health Net, Inc., a managed healthcare company, and in various leadership roles at Foundation Health, a California health plan. Mr. Hurley holds a B.A. degree in law and society from the University of California, Santa Barbara.

Bruce A. Telkamp. Executive Vice President of Business and Corporate Development. Mr. Telkamp has served as executive vice president of business and corporate development since November 2008. Prior to becoming executive vice president of business and corporate development, Mr. Telkamp held senior executive level positions with us since May 2000, including serving as our first general counsel. Mr. Telkamp has also served as corporate secretary since May 2000. Prior to joining eHealth, Mr. Telkamp was the vice president of business development and general counsel of MetaCreations Corporation. Before joining MetaCreations, Mr. Telkamp was an attorney with the leading technology law firm of Wilson Sonsini Goodrich & Rosati P.C. in Palo Alto, California. Mr. Telkamp holds a J.D. degree with honors from the University of California, Hastings and a B.A. degree in economics from the University of California, Los Angeles. Mr. Telkamp is a member of the California Bar.

Dr. Sheldon X. Wang. Executive Vice President of Technology and Chief Technology Officer. Dr. Wang has served as executive vice president of technology since May 2007 and as chief technology officer since August 1999. Dr. Wang also serves as president and chief executive officer of our subsidiary, eHealth China, Inc. Previously, Dr. Wang was senior vice president of research and development at Eclipsys Corporation, formerly known as HealthVISION, a provider of integrated healthcare enterprise information-technology solutions. Dr. Wang holds a B.S. degree in physics from the Fuzhou University of China, an M.S. degree in physics from Idaho State University and a Ph.D. in medical informatics from the University of Utah.

ITEM 1A. RISK FACTORS

In addition to other information in this Annual Report on Form 10-K and in other filings we make with the Securities and Exchange Commission, the following risk factors should be carefully considered in evaluating our business as they may have a significant impact on our business, operating results and financial condition. If any of the following risks actually occurs, our business, financial condition, results of operations and future prospects could be materially and adversely affected. Because of the following factors, as well as other variables affecting our operating results, past financial performance should not be considered as a reliable indicator of future performance and investors should not use historical trends to anticipate results or trends in future periods.

Risks Related to Our Business

Changes and developments in the structure of the health insurance system in the United States could harm our business.

Our business depends upon the private sector of the United States health insurance system, its relative role in financing healthcare delivery and health insurance carriers' use of, and payment of commissions to, agents and brokers to market individual and family health insurance products. Recently, there has been substantial national and state attention and debate regarding healthcare reform. President Obama and members of Congress have expressed their view that our healthcare system is in need of reform, and bills relating to healthcare reform have been passed in the U.S. Senate and the U.S. House of Representatives. The bills contain, among other things, a mandate requiring individuals to be insured or face tax penalties, mandates that certain employers offer their employees group health insurance coverage or face tax penalties, requirements relating to employer contribution to employee health coverage, prohibition against insurance companies using pre-existing health conditions as a reason to deny an application for health insurance, guaranteed renewability of health insurance plans, health insurance premium setting guidelines, requirements that insurance companies spend a certain percentage of premiums on non-administrative items, minimum benefit levels for health insurance plans, establishment of state and/or federal health insurance exchanges to facilitate access to and the purchase of health insurance, open enrollment periods for individual health insurance, creation of government-sponsored health insurance plans and subsidies and cost sharing credits to make health insurance more affordable for those below certain income levels. While recent political events may have stalled the effort to combine the healthcare reform bill passed in the Senate with the bill passed in the House of Representatives into a single bill that could be passed into law, President Obama is pushing Congress to pass healthcare reform as expressed in the bill passed by the Senate with certain modifications. Even if federal healthcare reform is not signed into law, state governments may enact their version of reform, which could be similar, or different from, current federal proposals. Significant federal or state changes to the existing health insurance system, the individual and family health insurance market or in the manner in which health insurance is distributed in the United States, including aspects of the bills passed in Congress, could increase competition, reduce or eliminate the need for health insurance agents or demand for private health insurance for individuals, families or small businesses or result in a reduction in the amount health insurance carriers pay for our services, any of which could materially harm our business, operating results and financial condition. For instance, the adoption of state or federal laws that promote or establish government-sponsored or partially government-sponsored healthcare, or promote government involvement in the health insurance system in other ways, could reduce or eliminate the number of individuals, families or small businesses seeking or permitted to purchase private health insurance or supplemental coverage using health insurance agents, which would substantially reduce the demand for our service and materially harm our business, operating results and financial condition. We believe that consumer anticipation of healthcare reform and confusion regarding its impact may have adversely impacted demand for the health insurance products we sell and that consumers have deferred applying for health insurance until the substance of healthcare reform becomes more clear to them. Should consumers continue to do so, our business, operating results and financial condition would be harmed. Speculation regarding healthcare reform or potential changes in the regulatory environment in which we operate also creates uncertainty that could lead to increased volatility and a reduction in our stock price.

Our rate of growth may decline.

We have in the past and may in the future continue to make significant expenditures related to the development of our business, including expenditures relating to marketing and website technology development. In addition, we will continue to incur significant legal, accounting and other expenses as a public company. Although we have experienced revenue growth in prior periods, our approved member growth has recently declined, and we had fewer members approved in the quarter ended December 31, 2009 than were approved in the quarter ended December 31, 2008. While the aggregate number of our members has continued to grow, if approved member growth continues to decline, our historical revenue growth may not be sustainable, which would harm our operating results and financial condition. Our future revenue growth will depend in large part upon our ability to continue to attract new individuals, families and small businesses to purchase health insurance through our ecommerce platform and to maintain our relationship with existing members within historical levels. We will have significant difficulty in achieving revenue growth if our membership does not grow. The commission rates that we receive for individuals and families are typically higher in the first twelve months of a policy. After the first twelve months, they generally decline significantly. Accordingly, to the extent that the rate of growth of our net new members slows, our revenue would be adversely impacted due to a decline in commissions we receive for members whose policies have been active for more than twelve months, in addition to the reduction in revenue growth that would occur solely as a result of a decline in our membership growth rate. In addition, a portion of our year-over-year growth has been attributable to revenue from our technology licensing and sponsorship advertising businesses. Because these sources of revenue are relatively new, we expect that it may be difficult to maintain their historical growth rates, which will impact our overall rate of growth. A continued decline in our growth rate would adversely impact investor perception of our business and our stock price.

The commission rates we receive are impacted by a variety of factors, including the particular health insurance policies chosen by our members, the carriers offering those policies, our members' states of residence and the laws and regulations in those jurisdictions and the amount of time policies have been active. Our commission rate per member could decrease as a result of either reductions in contractual commission rates or unfavorable changes in health insurance carrier override commission programs, each of which may be beyond our control and may occur on short notice. To the extent these factors cause our commission rate per member to decline, our rate of revenue growth may decline.

We expect the average cost of acquiring new members to increase, which may harm our operating results.

We expect the average cost of acquiring new members to be higher in 2010 than it was in 2009. We measure the average cost of acquiring new members as total marketing and advertising expenses for the year divided by the number of individuals included on applications for individual and family health insurance submitted during the year. Our cost of acquisition depends significantly on the rate at which visitors to our website submit health insurance applications, particularly with respect to paid search advertising, as our paid search costs are incurred on the referral of a potential member rather than on the submission of a health insurance application. We expect marketing and advertising costs will increase primarily due to increases in the amounts we spend for online marketing, including paid search advertising, increases in the amounts we pay marketing partners to refer consumers to our website and increases in compensation and benefits costs attributable to marketing and advertising personnel. We may also explore new marketing initiatives that increase per member acquisition costs as part of our efforts to drive more consumers to our website. If these increases in marketing and advertising costs do not result in an increase in submitted applications and a corresponding increase in our member base, our business, operating results and financial condition would be harmed.

Our future operating results are likely to fluctuate and could fall short of expectations.

Our operating results are likely to fluctuate as a result of a variety of factors, including the factors described elsewhere in this "Risk Factors" section, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful and you should not rely on our past results as an indication of our future performance. If our revenue or operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially.

Our business model is characterized primarily by recurring revenue based on commissions we receive from insurance carriers whose policies are purchased by our members. Although our services are complete upon the approval of a member's application, we receive commissions and record related revenue, typically on a monthly basis, until the health insurance policy is cancelled or we otherwise do not remain the agent on the policy. A significant component of our marketing and advertising expenses consists of payments owed to our marketing partners in connection with applications submitted on our ecommerce platform by potential members referred to us by our marketing partners. As a result of this timing difference between expense and associated revenue recognition, our operating results and cash flows may be adversely affected in periods where we experience a significant increase in new applicants. In addition, if we incur other unanticipated or one- time expenses in a particular quarter or if we lose a significant amount of our member base for any reason, we would likely be unable to offset these expenses by increasing sales within that quarter or to replace lost revenue in the quarter with revenue from new members. As a result, our quarterly results may suffer due to unanticipated expenses, one-time charges or significant member turnover.

Current economic conditions and other factors beyond our control may negatively impact our business, operating results and financial condition.

Our revenue depends upon demand for health insurance in the individual, family and small business markets, which can be influenced by a variety of factors beyond our control. For instance, an increased number of individuals have become self-employed or unemployed. In addition, as a result of substantial health insurance premium inflation in recent years, we believe that many employers have sought to reduce the costs associated with providing health insurance to their employees, including offering fewer benefits to employees, reducing or eliminating dependent coverage, increasing employee health insurance premium contributions and eliminating health insurance benefits altogether. We have no control over the economic and other factors that influence these trends, and they may reverse, including as a result of healthcare reform legislation. If economic or other factors beyond our control negatively impact our business, our operating results and financial condition could be harmed.

We believe that demand for the products and services we offer has been adversely impacted by recent economic conditions. We cannot be certain of the future impact that the recent recession will have on our business. A further softening of demand for products and services offered by us, whether caused by changes in customer preferences or a weak U.S. economy, including as a result of recent disruptions in the global financial markets or a decrease in general consumer confidence, will result in decreased revenue and growth. Consumers may attempt to reduce expenses by cancelling existing health insurance purchased through us, determine not to purchase new health insurance through us, or purchase health insurance products with lower premiums for which we receive lower commissions. To the extent the economy or other factors adversely impact our membership retention or the number or type of health insurance applications submitted through us and that are approved by health insurance carriers, our rate of growth will decline and our business and operating results will be harmed. A continuing negative economic environment could also adversely impact the health insurance carriers whose products are offered on our ecommerce platform, and they may, among other things, determine to reduce their commission rates, increase premiums or reduce benefits, change their underwriting practices so that fewer health insurance applications are approved or decrease the amount they are willing to spend for marketing purposes, all of which would negatively impact our sale of health insurance as well as our sponsorship and technology licensing businesses.

Legislative reaction to economic conditions may also negatively impact our operating results and financial condition. For example, the recently enacted American Recovery and Reinvestment Act included a 65% federal subsidy for health benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, or COBRA. As originally enacted, the subsidy applied to COBRA premiums for up to nine months for workers whose employment was involuntarily terminated after September 1, 2008 and were otherwise eligible for extended COBRA health coverage under their group health insurance plan. While the COBRA subsidy program was scheduled to expire and become unavailable for those whose employment was involuntarily terminated after December 2009, the eligibility period has been extended, most recently to March 2010, and may be extended again in the future. In connection with an initial extension of the eligibility period, the duration of the period the government would provide the subsidy to those eligible was extended from nine months to fifteen months. While it is not possible to determine the impact of the subsidy on our business, it may have caused, and may in the future cause, a significant decline in our membership and revenue growth as a result of consumers electing COBRA coverage rather than purchasing health insurance through us and members cancelling existing policies for which we serve as the broker of record to take advantage of the subsidy.

Economic conditions have caused interest rates to decline, and they may decline even further. We have experienced a significant reduction in the rate of return on our investments both as a result of the decline in interest rates and as a result of our implementation of more conservative investment policies. Economic conditions could materially and adversely impact our investments in the future, including loss of our principal investment, despite our implementation of more conservative investment policies.

Our business may not grow if consumers are not informed about the availability and accessibility of affordable health insurance.

Numerous health insurance products are available to consumers in any given market. Most of these products vary by price, benefits and other policy features. Health insurance terminology and provisions are often confusing and difficult to understand. As a result, researching, selecting and purchasing health insurance can be a complex process. We believe that this complexity has contributed to a perception held by many consumers that individual health insurance is prohibitively expensive and difficult to obtain. We attempt to make the health insurance research and application process on our website understandable and user-friendly. We also attempt to use our website and other means to educate consumers about the accessibility and affordability of health insurance. If consumers are not informed about the availability and accessibility of affordable health insurance or our ecommerce platform is difficult to navigate, our business may not grow and our operating results and financial condition would be harmed.

If we are not successful in cost-effectively converting visitors to our website into members, our business and operating results would be harmed.

Our growth depends in large part upon growth in our membership. The rate at which consumers visiting our ecommerce platform and seeking to purchase health insurance are converted into members is a significant factor in the growth of our membership. We recently have experienced a decline in this conversion rate. A number of factors have influenced, and could in the future influence, this conversion rate for any given period, some of which are outside of our control. These factors include:

- changes in consumer shopping behavior due to circumstances outside of our control, such as economic conditions, consumers ability or willingness to pay for health insurance, extension of unemployment benefits or proposed or enacted legislative or regulatory changes impacting our business;
- the quality of and changes to the consumer experience on our ecommerce platform or with our customer care center;
- the variety and affordability of the health insurance products that we offer;
- system failures or interruptions in the operation of our ecommerce platform or call center operations;
- changes in the mix of consumers who are referred to us through our direct, marketing partner and online advertising member acquisition channels;
- the health insurance carriers offering the health insurance products for which consumers have expressed interest, and the degree to which our technology is integrated with those carriers;

- health insurance carrier underwriting practices and guidelines applicable to applications submitted by consumers and the amount of time a carrier takes to make a decision on that application; and
- competitive offerings.

Our conversion rates can be impacted by changes in the mix of consumers referred to us through our member acquisition channels. For example, our conversion rates have historically been lower with respect to consumers referred to us by Internet lead aggregators and relatively higher with respect to consumers coming to us through our direct member acquisition channel. In addition, we may make changes to our ecommerce platform or undertake other initiatives in an attempt to improve consumer experience or for other reasons. These changes have in the past, and may in the future, have the unintended consequence of adversely impacting our conversion rates. A decline in the percentage of consumers who submit health insurance applications on our ecommerce platform and are converted into members could cause an increase in our cost of acquiring members on a per member basis. To the extent the rate at which we convert consumers visiting our ecommerce platform into members suffers, our membership growth rate may decline, which would harm our business, operating results and financial condition.

If we are unable to retain our members, our business and operating results would be harmed.

We receive revenue from commissions health insurance carriers pay to us for health insurance policies sold through our ecommerce platform. When one of these policies is cancelled, or if we otherwise do not remain the agent on the policy, we no longer receive the related commission revenue. Individuals, families and small businesses may choose to discontinue their health insurance policies for a variety of reasons. For example, individuals and families may replace a health insurance policy purchased through us with a health insurance policy provided by a new or existing employer or may determine that they cannot afford health insurance. In addition, our members may choose to purchase new policies using a different agent if, for example, they are not satisfied with our customer service or the health insurance products that we offer. Health insurance carriers may also terminate health insurance plans purchased and held by our members. If we are not successful in transferring members covered under a terminated plan to another policy that we offer, we will lose these members. Our cost in acquiring a new member is substantially greater than the cost involved in maintaining our relationship with an existing member. If we are not able to successfully retain existing members and limit member turnover, our revenue and operating margins could be adversely impacted and our business, operating results and financial condition would be harmed.

Our business may be harmed if we lose our relationships with health insurance carriers, become dependent upon a limited number of insurance carriers, fail to develop new carrier relationships, or if our carrier partners experience negative publicity.

We typically enter into contractual agency relationships with health insurance carriers that are non-exclusive and terminable on short notice by either party for any reason. Carriers may be unwilling to allow us to sell their existing or new health insurance products for a variety of reasons, including for competitive or regulatory reasons, as a result of a reluctance to distribute their products over the Internet or because they do not want to be associated with our brand. For example, one carrier terminated its relationship with us with respect to the policies it offers in a particular state because the carrier determined to sell those policies through agents that exclusively offered that particular carrier's products. In the future, an increasing number of carriers may decide to rely on their own internal distribution channels, including traditional in-house agents and carrier websites, to sell their own products and, in turn, could limit or prohibit us from selling their products on our ecommerce platform. For instance, carriers may choose to exclude us from their most profitable or popular products or may determine not to distribute insurance products in the individual, family and small business markets altogether.

We may decide to terminate our relationship with a carrier for a number of reasons, including as a result of a reduction in a carrier's financial ratings, a carrier determining to pay lower commissions or a carrier demanding a sales process that we believe compromises or impairs the value of our service. The termination of our relationship with a carrier could reduce the variety of health insurance products we offer, which could harm our business. We also would lose a source of commissions for future sales and, if our relationship with a carrier is terminated as a result of our material breach of our agreement with the carrier or in a limited number of other cases, future commissions for past sales. Our business could also be harmed if in the future we fail to develop new carrier relationships and are unable to offer consumers a wide variety of health insurance products.

The health insurance industry in the United States has experienced a substantial amount of consolidation over the past several years, resulting in a decrease in the number of health insurance carriers. In the future, we may be forced to offer insurance policies from a reduced number of insurance carriers or to derive a greater portion of our revenue from a more concentrated number of carriers as our business and the health insurance industry evolve. We derived 14% and 16% of our total revenue in the years ended December 31, 2008 and 2009, respectively, from Aetna. We derived 16% and 15% of our total revenue in the years ended December 31, 2008 and 2009, respectively, from carriers owned by Wellpoint. We derived 17% and 14% of our total revenue in the years ended December 31, 2008 and 2009, respectively, from carriers owned by UnitedHealthcare. Our agreements with these carriers, entered into in the ordinary course of business, are terminable on short notice by either party for any reason. Notwithstanding our separate agreements with various carriers directly or indirectly owned by the same entity, certain carriers have attempted and may continue to attempt to consolidate our relationship with them, which could increase the impact of carrier concentration on us, decrease the commission rates we receive and adversely affect our financial results. Should our dependence on fewer carrier relationships increase (whether as a result of the termination of carrier relationships, further carrier consolidation or otherwise), we may become more vulnerable to adverse changes in our relationships with carriers, particularly in states where we offer health insurance from a relatively smaller number of carriers or where a small number of carriers dominates the market, and our business, operating results and financial condition could be harmed.

From time to time, health insurance carriers may experience negative publicity as a result of consumer perception of, and reaction to, certain underwriting practices, news events or other matters. For example, health insurance carriers in California have experienced negative publicity relating to premium rate increases. Negative publicity experienced by our carrier partners may in turn adversely affect us, even if we are not involved, due to our business relationship with the carriers. If it does, our business, operating results and financial condition could be harmed.

Changes in the quality and affordability of the health insurance products that carriers offer on our ecommerce platform could harm our business and operating results.

The demand for health insurance marketed through our ecommerce platform is impacted by, among other things, the variety, quality and price of the health insurance products we offer. If health insurance carriers do not continue to provide us with a variety of high-quality, affordable health insurance products in the individual, family and small business markets, or if their offerings are limited as a result of consolidation in the health insurance industry, healthcare reform legislation or otherwise, our sales may decrease and our business, operating results and financial condition could be harmed.

Health insurance carriers could determine to reduce the commissions paid to us or change their underwriting practices in ways that reduce the number of insurance policies sold through our ecommerce platform, which could harm our business and operating results.

Our commission rates, and the commission override payments we receive from health insurance carriers for achieving sales volume thresholds or other objectives, are either set by each carrier or negotiated between us and each carrier. Carriers have altered, and may in the future alter, the contractual relationships we have with them, either by renegotiation or unilateral action. If these contractual changes result in reduced commissions, our business may suffer and our operating results and financial condition could be harmed. In addition, carriers periodically change the criteria they use for determining whether they are willing to insure individuals as well as other underwriting practices. At various times, carriers have applied more stringent underwriting criteria and practices to applications for health insurance. These practices result in a decrease in the rate at which insurance policies submitted through our ecommerce platform are approved. Changes in carrier underwriting criteria or practices could negatively impact sales of insurance policies on our ecommerce platform and could harm our business, operating results and financial condition.

If we are not able to maintain and enhance our brand, our business and operating results will be harmed.

We believe that maintaining and enhancing our brand identity is critical to our relationships with existing members, marketing partners and health insurance carriers and to our ability to attract new members, marketing partners and carriers. We may from time to time test the use of television and radio advertisements as a means to enhance our brand. The promotion of our brand in these and other ways may require us to make substantial investments and we anticipate that, as our market becomes increasingly competitive, these branding initiatives may become increasingly difficult and expensive. Our brand promotion activities may not be successful or yield increased revenue, and to the extent that these activities yield increased revenue, the increased revenue may not offset the expenses we incur and our operating results could be harmed. If we do not successfully maintain and enhance our brand, our business may not grow and we could lose our relationships with health insurance carriers, marketing partners and/or members, which would harm our business, operating results and financial condition.

In addition, we have historically received media attention in connection with our public relations efforts. While we cannot be certain of the impact of media coverage on our business, if it were to be reduced, the number of consumers visiting our platform could decrease, and our cost of acquiring members could increase as a result of a reduction in the number of members coming from our direct member acquisition channel, both of which could harm our business, operating results and financial condition.

System failures or capacity constraints could harm our business and operating results.

Our revenue depends upon the number of health insurance applications consumers submit utilizing our ecommerce platform that are approved by health insurance carriers. As a result, the performance, reliability and availability of our ecommerce platform and underlying network infrastructure are critical to our financial results, our brand and our relationship with members, marketing partners and health insurance carriers. Although we regularly attempt to enhance our ecommerce platform and system infrastructure, system failures and interruptions may occur if we are unsuccessful in these efforts, if we are unable to accurately project the rate or timing of increases in our website traffic or for other reasons, some of which are completely outside our control. Although we have experienced only minor system failures and interruptions to date, we could experience significant failures and interruptions in the future, which would harm our business, operating results and financial condition.

We rely in part upon third-party vendors, including data center and bandwidth providers, to operate our ecommerce platform. We cannot predict whether additional network capacity will be available from these vendors as we need it, and our network or our suppliers' networks might be unable to achieve or maintain a sufficiently high capacity of data transmission to allow us to process health insurance applications in a timely manner or effectively download data, especially if our website traffic increases. Any system failure that causes an interruption in or decreases the responsiveness of our services would impair our revenue-generating capabilities and harm our business and operating results and damage our reputation. In addition, any loss of data could result in loss of customers and subject us to potential liability. Our database and systems are vulnerable to damage or interruption from human error, earthquakes, fire, floods, power loss, telecommunications failures, physical or electronic break-ins, computer viruses, acts of terrorism, other attempts to harm our systems and similar events. In addition, our operations are vulnerable to earthquakes in the San Francisco Bay Area and elsewhere in Northern California. While we regularly back-up our system and store the system back-ups in secure third-party offsite locations with restricted access, there can be no assurance that such data recovery systems will operate as designed or prevent a loss of data. Additionally, if we were forced to rely on our system back-ups, we would experience significant delays in restoring the functionality of our website and could experience loss of data, which would harm our business and our operating results.

Consumers may access our customer care center for assistance in connection with submitting health insurance applications through our ecommerce platform. We depend upon third parties, including telephone service providers and third party software providers, to operate our customer care center. Any failure of the systems that we rely upon in the operation of our customer care center could negatively impact sales of insurance policies through our ecommerce platform or our relationship with consumers and members, which could harm our business, operating results and financial condition.

If consumers or carriers opt for more traditional or alternative channels for the purchase and sale of health insurance, our business will be harmed.

Our success depends in part upon widespread consumer and health insurance carrier acceptance of the Internet as a marketplace for the purchase and sale of health insurance. Consumers and health insurance carriers may choose to depend more on traditional sources, such as individual agents, or alternative sources may develop, including as a result of healthcare reform legislation. Our future growth, if any, will depend in part upon:

- the growth of the Internet as a commerce medium generally, and as a market for consumer financial products and services specifically;
- consumers' willingness to conduct their own health insurance research;
- our ability to make the process of purchasing health insurance online an attractive alternative to traditional means of purchasing health insurance;
- our ability to successfully and cost-effectively market our services as superior to traditional or alternative sources for health insurance to a sufficiently large number of consumers; and
- health insurance carriers' willingness to use us and the Internet as a distribution channel for health insurance products.

If consumers and health insurance carriers determine that other sources for health insurance and health insurance applications are superior, our business will not grow and our operating results and financial condition would be harmed.

We depend upon Internet search engines to attract a significant portion of the consumers who visit our website, and if we are unable to effectively advertise on search engines on a cost-effective basis, our business and operating results would be harmed.

We derive a significant portion of our website traffic from consumers who search for health insurance through Internet search engines, such as Google, MSN and Yahoo!. A critical factor in attracting consumers to our website is whether we are prominently displayed in response to an Internet search relating to health insurance. Search engines typically provide two types of search results, algorithmic listings and paid advertisements. We rely on both algorithmic listings and paid advertisements to attract consumers to our website.

Algorithmic search result listings are determined and displayed in accordance with a set of formulas or algorithms developed by the particular Internet search engine. The algorithms determine the order of the listing of results in response to the consumer's Internet search. From time to time, search engines revise these algorithms. In some instances, these modifications have caused our website to be listed less prominently in algorithmic search results, which has resulted in decreased traffic to our website. Our website may also become listed less prominently in algorithmic search results for other reasons, such as search engine technical difficulties, search engine technical changes and changes we make to our website. In addition, search engines have deemed the practices of some companies to be inconsistent with search engine guidelines and decided not to list their website in search result listings at all. If we are listed less prominently in, or removed altogether from, search result listings for any reason, the traffic to our website likely would decline and we may not be able to replace this traffic, which in turn would harm our operating results. If we decide to attempt to replace this traffic, we may be required to increase our marketing expenditures, which would also increase our cost of member acquisition and harm our operating results.

We also purchase paid advertisements on search engines in order to attract consumers to our website. We typically pay a search engine for prominent placement of our name and website when particular health insurance-related terms are searched for on the search engine, regardless of the algorithmic search result listings. In some circumstances, the prominence of the placement of our name and website is determined by a combination of factors, including the amount we are willing to pay and algorithms designed to determine the relevance of our paid advertisement to a particular search term. As with algorithmic search result listings, search engines may revise the algorithms relevant to paid advertisements. These revisions may result in our having to pay increased amounts to maintain our paid advertisement placement in response to a particular search term. We could also have to pay increased amounts should the market share of major search engines continue to become more concentrated with a single search engine. Additionally, we bid against our competitors and others for the display of these paid search engine advertisements. Many of our competitors, including many health insurance carriers, have greater resources with which to bid and better brand recognition than we do. We have experienced increased competition from carriers and some of our marketing partners for both algorithmic search result listings and for paid Internet advertisements, which has increased our marketing and advertising expenses. If this competition increases significantly, or if the fees associated with paid search advertisements increase as a result of algorithm changes or other factors, our advertising expenses could rise significantly or we could reduce or discontinue our paid search advertisements, either of which could harm our business, operating results and financial condition. In addition, our cost of acquiring members is significantly dependent on the rate at which consumers who click on paid advertisements submit health insurance applications. A decline in this rate could cause our cost of acquisition to increase significantly, which could harm our operating results. For instance, we previously have experienced a decline in growth with respect to the number of submitted applications in our online advertising channel, which we believe to have resulted from several factors, including a decline in the rate at which consumers who clicked on paid advertisements submitted health insurance applications and decreased contribution from secondary search engines. To the extent our submitted application growth rate from the online advertising channel declines, our overall membership growth could be adversely impacted, which would harm our operating results and financial condition.

We rely significantly on marketing partners for the sale of health insurance on our ecommerce platform and our business and operating results would be harmed if we are unable to maintain effective relationships with our existing marketing partners or if we do not establish successful relationships with new marketing partners.

In addition to marketing through Internet search engines, we frequently enter into contractual marketing relationships with other online and offline businesses that promote us to their customers. These marketing partners include financial and online service companies, affiliate programs and online advertisers and content providers. We compensate many of our marketing partners for their referrals on a submitted health insurance application basis and, if they are licensed to sell health insurance, may share a percentage of the commission we earn from the health insurance carrier for each member referred by the marketing partner. Our agreements with many of our marketing partners are terminable on short notice.

Many factors influence the success of our relationship with our marketing partners, including:

- the continued positive market presence, reputation and growth of the marketing partner;
- the effectiveness of the marketing partner in marketing our website and services, including whether the marketing partner is successful in maintaining the prominence of its website in algorithmic search result listings and paid Internet advertisements;
- the interest of the marketing partner's customers in the health insurance products that we offer on our ecommerce platform;
- the contractual terms we negotiate with the marketing partner, including the marketing fees we agree to pay a marketing partner;

- the percentage of the marketing partner's customers that submit applications or purchase health insurance policies through our ecommerce platform;
- the ability of a marketing partner to maintain efficient and uninterrupted operation of its website; and
- our ability to work with the marketing partner to implement website changes, launch marketing campaigns and pursue other initiatives necessary to maintain positive consumer experiences and acceptable traffic volumes.

If we are unable to maintain successful relationships with our existing marketing partners or fail to establish successful relationships with new marketing partners, our business, operating results and financial condition will be harmed.

We recently have experienced a decline in growth with respect to the number of submitted applications in our marketing partner customer acquisition channel. For example, we had fewer applications submitted in the quarter ended December 31, 2009 than in the quarter ended December 31, 2008 in this channel. We believe the number of applications submitted in this channel may have been impacted by several factors, including consumer confusion regarding the timing and impact of proposed healthcare reform legislation, the challenging economic environment and the COBRA subsidy. To the extent our submitted application growth rate from the marketing partner customer acquisition channel does not improve, our overall membership growth would be adversely impacted, which would harm our operating results and financial condition.

We may not be successful in our efforts to market and sell Medicare related health insurance products.

We recently determined to market Medicare related health insurance products using our ecommerce platform, including Medicare Advantage, Medicare Supplement and Medicare Part D prescription drug plans. We refer to these products as Medicare products. We plan to offer Medicare products to Medicare eligible individuals, who are predominately senior citizens over the age of 65.

We have limited experience marketing the availability of Medicare products. We determined to enter into the Medicare product market, because we believe there is an increasing number of individuals becoming eligible for Medicare and that Medicare eligible individuals are increasingly using the Internet to shop for health insurance products that supplement Medicare. We also believe that on average member retention rates and the commissions that health insurance carriers pay in connection with the sale of Medicare products compare favorably to the member retention rates and commissions we receive in connection with our sale of individual and family health insurance. Should we prove to be wrong, or should these circumstances reverse, our success in marketing Medicare products would be materially and adversely impacted.

The success of our entry into the market for Medicare products will depend upon our ability to enter into and maintain relationships with health insurance carriers on favorable economic terms to market these products on our ecommerce platform. As with our non-Medicare products, our revenue related to the marketing and sale of Medicare products is expected to consist predominantly of commissions paid to us from these health insurance carriers. If we are not successful in entering into relationships with health insurance carriers to market their Medicare products, or if we are unable to enter into a sufficient number of these relationships to offer Medicare eligible individuals the ability to choose from a number of products from different health insurance carriers in a particular jurisdiction, we may not be successful in marketing Medicare products, and our business, operating results and financial condition would be harmed.

Our success in expanding into the Medicare product market will depend upon a number of additional factors, including:

- our ability to adapt our ecommerce platform to market Medicare products, including our development or acquisition of marketing tools and features important in the sale of Medicare products online and the modification of our existing user experience for new products targeted at a different demographic;

- our success in marketing our ecommerce platform to senior citizens and in entering into business development relationships to drive Medicare eligible individuals to our ecommerce platform;
- our ability to hire additional employees with experience in Medicare, including our ability to implement Medicare sales expertise into our customer care center;
- our ability to comply with the numerous, complex and changing laws and regulations relating to the marketing and sale of Medicare products, including conforming our online and offline sales processes to those laws and regulations; and
- the effectiveness with which health insurance carriers and agents market the availability of Medicare products from sources other than our ecommerce platform.

As a result of these factors, we may prove unsuccessful in marketing Medicare products, or our ability to do so may be delayed, either of which would harm our business, operating results and financial condition.

The marketing and sale of Medicare products are subject to numerous laws and regulations at the Federal and state level. The marketing and sale of Medicare Advantage and Medicare Part D products are principally regulated by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, or CMS. The marketing and sale of Medicare Supplement products are principally regulated on a state-by-state basis by state departments of insurance. The laws and regulations applicable to the marketing and sale of Medicare products are numerous and complex, and, particularly with respect to regulations and guidance issued by CMS for Medicare Advantage and Medicare Part D products, change frequently. As a result of these laws and regulations, we will be required to alter our website and sales process and comply with several requirements that are not applicable to our sale of non-Medicare related health insurance products. We may not be able to do so successfully and additional laws and regulations may be implemented to make our marketing and sale of Medicare products more difficult or prohibit our marketing them altogether. In addition, the impact that healthcare reform legislation, if any, will have on the market for Medicare products is unclear, but it could change demand for Medicare products, the way these products are delivered, the commissions that carriers pay to health insurance agents in connection with their sale or adversely impact us in other ways. In the event that laws and regulations adversely impact our ability to market the availability of any type of Medicare product on our ecommerce platform, our business, operating results and financial condition would be harmed.

We rely on health insurance carriers to accurately and regularly prepare commission reports, and if these reports are inaccurate or not sent to us in a timely manner, our business and operating results could be harmed. We also may not recognize trends in our membership as a result of a lack of information from health insurance carriers.

Health insurance carriers typically pay us a specified percentage of the premium amount collected by the carrier during the period that a member maintains coverage under a policy. We rely on carriers to timely and accurately report the amount of commissions earned by us, and we calculate our commission revenue, prepare our financial reports, projections and budgets and direct our marketing and other operating efforts based on the reports we receive from health insurance carriers. It is often difficult for us to independently determine whether or not carriers are reporting all commissions due to us, primarily because the majority of our members terminate their policies by discontinuing their premium payments to the carrier instead of by informing us of the cancellation. To the extent that health insurance carriers understate or fail to report the amount of commissions due to us in a timely manner or at all, we will not collect and recognize revenue to which we are entitled, which would harm our business, operating results and financial condition.

We also are dependent on our carrier partners and others for data related to our membership. For instance, with respect to health insurance products other than small business group health insurance, our carrier partners do not directly report member cancellations to us, resulting in the need for us to determine cancellations using payment data that carriers provide. We infer cancellations from this payment data by analyzing whether payments from members have ceased for a period of time, and we may not learn of a cancellation for several months, given that some of our members pay on a schedule less frequently than monthly (e.g., quarterly). With respect to our small business group membership, many groups notify the carrier directly with respect to increases or decreases in group size and policy cancellations. Our insurance carrier partners often do not communicate this information to us, and it often takes a significant amount of time for us to learn about small business group cancellations and changes in our membership within the group itself. We often are not made aware of policy cancellations until the time of the group's annual renewal.

After we have estimated membership for a period, we may receive information from health insurance carriers that would have impacted the estimate if we had received the information prior to the date of estimation. We may receive commission payments or other information that indicates that a member who was not included in our estimates for a prior period was in fact an active member at that time, or that a member who was included in our estimates was in fact not an active member of ours. We also reconcile information carriers provide to us and may determine that we were not historically paid commissions owed to us, which would cause us to have underestimated our membership. Additionally, carriers may require us to return commission payments paid in a prior period due to policy cancellations for members we previously estimated as being active. For these and other reasons, including if current trends in membership cancellation are inconsistent with past cancellation trends that we use to estimate our membership or if carriers subsequently report changes to the commission payments that they previously reported to us, our actual membership could be different from our estimates, perhaps materially. Total revenue per estimated member for the period would also change if our estimated membership changed. Our estimate regarding the average amount of time our members maintain their health insurance products also could be inaccurate as it is dependent upon the accuracy of our membership estimates.

Our operating results fluctuate depending upon health insurance carrier payment practices and the timing of our receipt of commission reports from health insurance carriers.

The timing of our revenue depends upon the timing of our receipt of commission reports and associated payments from health insurance carriers. Although carriers typically report and pay commissions to us on a monthly basis, there have been instances where their report of commissions and payment have been delayed, such as during holiday periods. Any delay could materially impact our financial results for a given quarter as we would not be able to recognize the related commission revenue in that quarter. In addition, much of our commission override revenue is not reported and paid to us in accordance with a scheduled pattern, and some is only reported and paid to us once per year. This could result in a large amount of commission revenue from a carrier being recorded in a given quarter that is not indicative of the amount of revenue we may receive from that carrier in subsequent quarters, causing fluctuations in our operating results. We could report revenue below the expectations of our investors or securities analysts in any particular period if a material report or payment from a health insurance carrier were delayed or not received within the time frame required for revenue recognition.

We may be unsuccessful in competing effectively against current and future competitors.

The market for selling health insurance products is intensely competitive and the sale of health insurance over the Internet is new and rapidly evolving. Consumers have the ability to use several sources other than our ecommerce platform to research and purchase health insurance. In addition, consumers can research health insurance using our ecommerce platform and purchase their health insurance through one of our competitors. We compete directly with health insurance carriers, including many of the carriers that offer health insurance through our ecommerce platform. Many carriers market and sell their health insurance plans, including those that are offered on our ecommerce platform, directly to consumers using call centers, their own websites and other means.

We also compete with a large number of local insurance agents across the United States that sell health insurance products in their local communities. Many of these traditional insurance agents utilize the Internet in various ways to acquire their customers. For instance, some local agents use "lead aggregator" services that use websites, Internet search engines and other forms of online advertising to find consumers interested in purchasing health insurance and are compensated for referring those consumers to the traditional agent. We compete with lead aggregators for these consumers, and some lead aggregators have begun to use quoting and plan comparison tools similar to ours. In addition, a number of traditional agents operate websites that provide some form of online shopping experience for consumers interested in purchasing health insurance. Although some of these online agents only sell health insurance in a limited number of states and/or represent only a limited number of health insurance carriers, these agents could expand their service area and product offerings.

We may not be able to compete successfully against our current or future competitors. Some of our current and potential competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, technical, marketing and other resources than we do. As compared to us, our current and future competitors may be able to:

- undertake more extensive marketing campaigns for their brands and services;
- devote more resources to website and systems development;
- negotiate more favorable commission rates and commission override payments; and
- make more attractive offers to potential employees, marketing partners and third-party service providers.

Competitive pressures may result in our experiencing increased marketing costs, decreased traffic to our website and loss of market share, or may otherwise harm our business, operating results and financial condition.

There are many risks associated with our operations in China.

A portion of our operations is conducted in China. Among other things, we use employees in China to maintain and update our ecommerce platform. This and other information is delivered to us through secured communications over the Internet. Our business would be harmed if this connection temporarily failed, and we were prevented from promptly updating our software or implementing other changes to our database and systems. Our operations in China also expose us to different and unfamiliar laws, rules and regulations, including different intellectual property laws, which are not as protective of our intellectual property as the laws in the United States, and different labor and tax laws. United States and Chinese trade laws may impose restrictions on the importation of programming or technology to or from the United States. These risks could cause us to incur increased expenses and could harm our ability to effectively and successfully manage our operations in China, which in turn could cause our business, operating results and financial condition to suffer. We plan to continue to expand our Chinese operations. These plans will require additional management attention and resources and may be unsuccessful, as we have limited experience with respect to operations in China.

In addition, our subsidiary in China has a subsidiary business insurance agency license in the Fujian province in China pursuant to which we are selling health, accident and life insurance in the Fujian province. Our license is up for renewal at the end of 2011. We also have entered into a relationship with a local insurance agency outside the Fujian province in Shanghai, China, pursuant to which we offer the local insurance agency's insurance products in Shanghai on our website in our capacity as a technology service provider. We have recently entered into similar relationships with insurance companies to offer certain of those companies' products throughout China. Additionally, we have recently entered, and may in the future continue to enter into relationships with marketing partners to refer additional consumers to our website. We have no prior experience marketing or selling insurance in China or in adapting our business and ecommerce platform to Chinese markets and cultures, legal and regulatory regimes or business customs. For instance, the laws and regulations applicable to our marketing and selling insurance online and assisting others in those efforts in China are unclear, and our operations may be in violation of them. The consequences of violating insurance and other applicable laws and regulations in China are unclear, but they could result in the termination of our license and our ability to host insurance products on our technology platform, payment of fines and damages and could harm our business as a whole. For various reasons, we may not expand in China, and even if we do, there can be no assurance that our ecommerce platform in China would ever generate a significant amount of revenue or otherwise be successful. Our success in establishing an insurance-related business in China is dependent upon many of the factors that influence the success of our business in the United States, including, but not limited to, our receiving regulatory approvals (including the renewal of our license), acceptance of the Internet and our ecommerce platform as a marketplace for the purchase of insurance, our success in marketing our ecommerce platform and in retaining members who purchase insurance through that platform, our ability to enter into and maintain relationships with insurance carriers, commission rates, the affordability of the insurance products offered, insurance carrier business practices, the effectiveness with which we establish a brand identity, performance, reliability and availability of our ecommerce platform, competition, the regulatory environment and the manner in which healthcare delivery is financed and changes to such environment or manner, our ability to attract qualified personnel and network security.

Our participation and success in the China market may be impacted by additional factors given that outside of Xiamen city, the insurance products offered on our website are offered directly by insurance carriers or through another insurance agent, including our dependence on insurance carriers or the insurance agent for the products on our website, the agent’s relationship with insurance carriers and consumers, our relationship with the insurance carriers and agent, each of the agent’s and the insurance carriers’ ability to maintain licenses and regulatory approvals, and the number, quality and attractiveness of the insurance products offered by the agent and the insurance carrier through our platform. While there is no certainty that we would be able to expand our presence in the insurance industry in China, we may attempt to do so. If we decide to do so, we may need to receive additional government licenses and approvals or enter into additional relationships and may face disadvantages in doing so as a result of our subsidiary in China being wholly foreign owned.

Our rate of growth may decline if we are unable to increase our revenue relating to sponsorship advertising.

We sell advertising space to health insurance carriers on our website through our sponsorship advertising program. Our sponsorship advertising program allows carriers to purchase advertising space in specific markets in a sponsorship area on our website. If we do not continue to grow our revenue from the sale of sponsorship advertising, or if our rate of such growth declines, our business, operating results and financial condition may be harmed. Current economic conditions have adversely impacted the advertising industry in general. To the extent that economic conditions, healthcare reform or other factors impact the amount health insurance carriers are willing to pay for advertising on our ecommerce platform, our sponsorship advertising program will be adversely impacted. The success of our sponsorship advertising program is dependent upon a number of other factors, including the effectiveness of the sponsorship advertising program as a cost-effective method for carriers to obtain additional members, consumer and health insurance carrier adoption of the Internet and our ecommerce platform as a medium for the purchase and sale of health insurance, our ability to attract consumers visiting our ecommerce platform and convert those consumers into members, the existence of a relationship between us and a diverse group of carriers that offer a number of health insurance plans in the markets in which we attempt to sell sponsorship advertising, the cost and other features of the health insurance product that is the subject of the sponsorship advertising, the impact the sponsorship advertising has on the sale of the health insurance product that is the subject of the advertising and the effectiveness of the carrier’s other means of advertising. In addition, while our practice of selling sponsorship advertising is described on our ecommerce platform, it could cause consumers to perceive us as not objective, which could harm our brand and result in a decline in our health insurance sales. It also could adversely impact our relationship with health insurance carriers that do not purchase our sponsorship advertising. As a result, our business, operating results and financial condition could be harmed.

We may not be successful in licensing the use of our ecommerce technology to health insurance carriers and other third parties.

We license the use of our ecommerce technology to health insurance carriers and agents. Carriers use our platform to offer their own health insurance policies on their websites, and agents use it to power their quoting and online content. If we do not continue to grow our revenue from the license of our technology, or if the rate of growth declines, our business, operating results and financial condition may be harmed. The business of licensing the use of our technology to others could facilitate carrier, health insurance agent and other third party competition with us in the sale of health insurance over the Internet and is subject to a number of additional risks and uncertainties, including consumer and health insurance carrier adoption of our ecommerce platform as a medium for the purchase and sale of health insurance, our ability to establish relationships with new health insurance carriers, the reliability and performance of our ecommerce platform and the relative cost of developing competing technology. If we are not able to offer health insurance carriers and other third parties a reliable platform to cost-efficiently offer their products over the Internet, our technology licensing business will be unsuccessful.

We may not be able to adequately protect our intellectual property, which could harm our business and operating results.

We believe that our intellectual property is an essential asset of our business and that our technology infrastructure currently gives us a competitive advantage in the distribution of individual, family and small business health insurance. We rely on a combination of copyright, trademark and trade secret laws as well as confidentiality procedures and contractual provisions to establish and protect our intellectual property rights in the United States. Although we have pending patent applications in the United States, they may not result in issued patents. We have not filed for protection of our intellectual property in any foreign jurisdiction other than China. We have Chinese-registered computer software copyrights for an internally-developed software system and a project management tool and have filed certain trademark applications in China. We have not filed any patent applications in China. The efforts we have taken to protect our intellectual property may not be sufficient or effective, and our trademarks, copyrights and patents if issued, may be held invalid or unenforceable. Moreover, the law relating to intellectual property is not as developed in China, and our intellectual property rights may not be as respected in China as they are in the United States. Any United States or other patents issued to us may not be sufficiently broad to protect our proprietary technologies, and given the costs of obtaining patent protection, we may choose not to seek patent protection for certain of our proprietary technologies. We may not be effective in policing unauthorized use of our intellectual property, trade secrets and other confidential information, and even if we do detect violations, litigation may be necessary to enforce our intellectual property rights. Any enforcement efforts we undertake, including litigation, could be time-consuming and expensive, could divert our management's attention and may result in a court determining that our intellectual property or other rights are unenforceable. If we are not successful in cost-effectively protecting our intellectual property rights, trade secrets and confidential information, our business, operating results and financial condition could be harmed.

We may in the future be subject to intellectual property rights claims, which are extremely costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies in the future.

Companies in the Internet and technology industries own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. We have received, and may in the future receive, notices that claim we have misappropriated or misused other parties' intellectual property rights, and, to the extent we gain greater visibility, we face a higher risk of being the subject of intellectual property infringement claims. There may be third-party intellectual property rights, including issued or pending patents, that cover significant aspects of our technologies or business methods. Any intellectual property claim against us, with or without merit, could be time consuming, expensive to settle or litigate and could divert our management's attention and other resources. These claims also could subject us to significant liability for damages and could result in our having to stop using technology found to be in violation of a third party's rights. We might be required to seek a license for third-party intellectual property, which may not be available on reasonable terms or at all. Even if a license is available, we could be required to pay significant royalties, which would increase our operating expenses. We may also be required to develop alternative non-infringing technology, which could require significant effort and expense. If we cannot license or develop technology for any infringing aspect of our business, we would be forced to limit our services and may be unable to compete effectively. Any of these results would harm our business, operating results and financial condition.

Any legal liability, regulatory penalties, or negative publicity for the information on our website or that we distribute will likely harm our business and operating results.

We provide information regarding health insurance on our website, through our customer care center and in other ways regarding health insurance in general and the health insurance plans offered on our website, including information relating to insurance premiums, coverage, benefits, exclusions, limitations, availability, plan comparisons and insurance company ratings. A significant amount of both automated and manual effort is required to maintain the considerable amount of insurance plan information on our website. Separately, from time to time, we use the information provided on our website and otherwise collected by us to publish reports designed to educate consumers, facilitate public debate, and facilitate reform at the state and federal level relating to the accessibility and affordability of health insurance. If the information we provide on our website, through our customer care center or otherwise is not accurate or is construed as misleading, members, health insurance carriers and others could attempt to hold us liable for damages, and state regulators could attempt to subject us to penalties, revoke our license to transact health insurance business in a particular jurisdiction, and/or compromise the status of our licenses to transact health insurance business in other jurisdictions. In the ordinary course of operating our business, we have received complaints that the information we provided was not accurate or was misleading. Although in the past we have resolved these complaints without significant financial cost, we cannot guarantee that we will be able to do so in the future. In addition, these types of claims could be time-consuming and expensive to defend, could divert our management's attention and other resources, and could cause a loss of confidence in our services. As a result, whether or not we are able to successfully resolve these claims, they could harm our business, operating results and financial condition.

In the ordinary course of our business, we have received and may continue to receive inquiries from state regulators relating to various matters. We have become, and may in the future become, involved in litigation in the ordinary course of our business. If we are found to have violated laws or regulations in any state, we could be subject to various fines and penalties, including revocation of our license to sell insurance in that state (which could impact our licenses in other jurisdictions), and our business and financial results would be harmed. We would also be harmed to the extent that related publicity damages our reputation as a trusted source of objective information relating to health insurance and its affordability. It could also be costly to defend ourselves regardless of the outcome.

Our ability to attract and retain qualified personnel is critical to our success.

Our success is dependent upon the performance of our senior management and key personnel. Our management and employees can terminate their employment at any time, and the loss of the services of any of our executive officers or key employees could harm our business. For example, we are required to appoint a single writing agent with each insurance carrier with which we have a relationship in every state. If we lose the service of our appointed writing agent, the duties of writing agent will need to be transitioned to other company personnel. Due to our national reach and the large number of carrier partners whose policies are purchased by our members, this transition may be difficult and requires a significant period of time to complete. If the transition is not successful or takes too long to complete, our agency relationship with particular insurance carriers may be terminated, our commission payments could be discontinued or delayed and, as a result, our business and operating results would be harmed. Our success is also dependent upon our ability to attract additional personnel for all areas of our organization. We may not be successful in attracting and retaining personnel on a timely basis, on competitive terms or at all. If we are unable to attract and retain the necessary personnel, our business would be harmed.

Most of our senior management and key employees have sold shares of our common stock in the open market, and some have sold a significant portion of their vested holdings. These employees may be more likely to leave us given that they have liquidated some or a substantial percentage of their holdings. Our senior management and key employees work for us on an at-will basis and our business could be harmed if we lose their services.

If we fail to manage future growth effectively, our business and operating results would be harmed.

We have expanded our operations significantly and anticipate that further expansion will be required in order for us to grow our business. Growth we experience would place increasing and significant demands on our management, our operational and financial systems and infrastructure and our other resources. If we do not effectively manage growth, the quality of our services could suffer, which could harm our business, operating results and financial condition. In order to manage growth, we would need to hire, integrate and retain highly skilled and motivated employees. We would also be required to continue to improve our existing systems for operational and financial management, including our reporting systems, procedures and controls. These improvements could require significant capital expenditures and place increasing demands on our management. We may not be successful in managing or expanding our operations or in maintaining adequate financial and operating systems and controls. If we do not successfully implement improvements in these areas, our business, operating results and financial condition will be harmed.

Seasonality may cause fluctuations in our financial results.

The number of health insurance applications submitted through our ecommerce platform has generally increased in our first quarter compared to our fourth quarter and in our third quarter compared to our second quarter. Conversely, we have generally experienced a decline or flattening of submitted applications in our second quarter compared to our first quarter and in our fourth quarter compared to our third quarter. Since a significant portion of our marketing and advertising expenses are driven by the number of health insurance applications submitted on our ecommerce platform, those expenses are influenced by these patterns. The reasons for these seasonal patterns are not entirely clear. As the use of the Internet for the purchase and sale of health insurance becomes more widely accepted and our business matures, other seasonality trends may develop and the existing seasonality and consumer behavior that we experience may change. Any seasonality that we experience may cause fluctuations in our financial results.

Future acquisitions could disrupt our business and harm our financial condition and operating results.

We may decide to acquire businesses, products and technologies. Our ability as an organization to successfully make acquisitions is unproven. Acquisitions could require significant capital infusions and could involve many risks, including the following:

- an acquisition may negatively impact our results of operations because it may require us to incur charges and substantial debt or liabilities, may require the amortization, write down or impairment of amounts related to deferred compensation, goodwill and other intangible assets, or may cause adverse tax consequences, substantial depreciation or deferred compensation charges;
- an acquisition undertaken for strategic business purposes may negatively impact our results of operations;
- we may encounter difficulties in assimilating and integrating the business, technologies, products, personnel or operations of companies that we acquire, particularly if key personnel of the acquired company decide not to work for us;
- an acquisition may disrupt our ongoing business, divert resources, increase our expenses and distract our management;

- we may be required to implement or improve internal controls, procedures and policies appropriate for a public company at a business that prior to the acquisition lacked these controls, procedures and policies;
- the acquired businesses, products or technologies may not generate sufficient revenue to offset acquisition costs or to maintain our financial results;
- we may have to issue equity securities to complete an acquisition, which would dilute our stockholders' ownership and could adversely affect the market price of our common stock; and
- acquisitions may involve the entry into geographic or business markets in which we have little or no prior experience.

We cannot assure you that we will be able to identify or consummate any future acquisition on favorable terms, or at all. If we do pursue an acquisition, it is possible that we may not realize the anticipated benefits from the acquisition or that the financial markets or investors will negatively view the acquisition. Even if we successfully complete an acquisition, it could harm our business, operating results and financial condition.

Issues arising from the implementation of our commission accounting system and an enterprise data management system could affect our operating results and ability to manage our business effectively.

We have completed implementation of our commission accounting system for the majority of our health insurance products. In addition, we are in the initial stages of implementing an enterprise data management system. Each of these systems is or will be important to our accounting, financial and operating functions, and the implementation of these systems raises costs and risks associated with the conversion to new systems, including disruption to our normal accounting procedures and problems achieving accuracy in the conversion of electronic data. Failure to properly or adequately address these issues could result in increased costs and the diversion of management's attention and resources and could harm our operating results and ability to manage our business effectively.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements could be impaired, which could adversely affect our operating results, our ability to operate our business and our stock price.

We have a complex business organization. Ensuring that we have adequate internal financial and accounting controls and procedures in place to help ensure that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. During 2007, we completed the initial documentation of our internal controls and procedures in connection with Section 404 of the Sarbanes-Oxley Act of 2002. Our management, including our chief executive officer and chief financial officer, does not expect that our internal control over financial reporting will prevent all errors or all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Over time, controls may become inadequate because changes in conditions or deterioration in the degree of compliance with policies or procedures may occur. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

As a result, we cannot assure that significant deficiencies or material weaknesses in our internal control over financial reporting will not be identified in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in significant deficiencies or material weaknesses, cause us to fail to timely meet our periodic reporting obligations, or result in material misstatements in our financial statements. Any such failure could also adversely affect the results of periodic management evaluations and annual auditor attestation reports regarding disclosure controls and the effectiveness of our internal control over financial reporting required under Section 404 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. The existence of a material weakness could result in errors in our financial statements that could result in a restatement of financial statements, cause us to fail to timely meet our reporting obligations and cause investors to lose confidence in our reported financial information, leading to a decline in our stock price and potential lawsuits against us.

Changes in our provision for income taxes or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results.

Our provision for income taxes is subject to volatility and could be adversely affected by earnings differing materially from our projections; by changes in the valuation of our deferred tax assets and liabilities; by expiration of or lapses in the research and development tax credit laws; by tax effects of share-based compensation; or by changes in tax laws, regulations, accounting principles, including accounting for uncertain tax positions, or interpretations thereof. For instance, on September 23, 2008, the state of California approved budget legislation which substantially limits the utilization of net operating losses and tax credits. The new law does not affect the amount of net operating losses and tax credits that we expect to ultimately use to offset future California taxes, but limits the amount we can utilize in 2008 and 2009, resulting in an increase in cash taxes in those years. Since the majority of our state taxes are in California, where our headquarters are located, our cash outlay for federal and state taxes increased for the year ended December 31, 2009 compared to 2008, primarily as a result of this new law.

Significant judgment is required to determine the recognition and measurement attribute prescribed in Financial Accounting Standards Board U.S. generally accepted accounting principles (“U.S. GAAP”) relating to accounting for income taxes. In addition, U.S. GAAP applies to all income tax positions, including the potential recovery of previously paid taxes, which if settled unfavorably could adversely impact our provision for income taxes or additional paid-in capital. In addition, we are subject to examinations of our income tax returns by the Internal Revenue Service and other tax authorities. We assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There may be exposure that the outcomes from these examinations will have an adverse effect on our operating results and financial condition.

Any expansion of our business into foreign countries involves significant risks.

We currently do not sell health insurance or license our technology platform outside the United States other than in China. We may attempt to expand aspects of our business to additional geographic regions. We face significant challenges in connection with expanding our business into any foreign country, since we have no prior experience marketing or selling insurance in any foreign jurisdiction. Additionally, demand for private health insurance is not significant in many foreign countries as a result of government-sponsored healthcare systems. In addition to facing many of the same challenges we face domestically, we also would have to overcome other obstacles such as:

- legal, political or systemic restrictions on the ability of United States companies to market insurance or otherwise do business in foreign countries;
- varied, unfamiliar and unclear legal and regulatory restrictions;
- less extensive adoption of the Internet as a commerce medium or information source and increased restriction on the content of websites; and
- the adaptation of our website and distribution model to fit the particular foreign country.

As a result of these obstacles, we may find it impossible or prohibitively expensive to expand our services internationally or we may be unsuccessful should we attempt to do so, either of which could harm our business, operating results and financial condition.

Risks Related to Insurance Regulation

Regulation of the sale of health insurance is subject to change, and future regulations could harm our business and operating results.

The laws and regulations governing the offer, sale and purchase of health insurance are subject to change, and future changes may be adverse to our business. For example, once health insurance pricing is set by the carrier and approved by state regulators, it is fixed and not generally subject to negotiation or discounting by insurance companies or agents. Additionally, state regulations generally prohibit carriers, agents and brokers from providing financial incentives, such as rebates, to their members in connection with the sale of health insurance. As a result, we do not currently compete with carriers or other agents and brokers on the price of the health insurance products offered on our website. If these regulations change, we could be forced to reduce prices or provide rebates or other incentives for the health insurance products sold through our ecommerce platform, which would harm our business, operating results and financial condition.

Another example of a potentially adverse regulatory change relates to the adoption of “guaranteed issue” laws and regulations in the individual and family health insurance markets. These requirements, which are currently in effect in a limited number of states such as Massachusetts, New Jersey and New York, prohibit health insurance carriers from denying health insurance coverage to individuals based on their health status. It has been our experience that substantially fewer health insurance carriers offer plans in the individual and family health insurance market in states with guaranteed issue regulations in effect compared to others. Moreover, health insurance carriers that do offer individual and family plans may charge substantially increased premiums and/or pay reduced commissions to agents. We believe that limited choice and high premiums result in less demand for individual and family health insurance plans which, when coupled with reduced commissions to agents, results in substantially less revenue for us. Our business, operating results and financial condition would be harmed if the adoption of guaranteed issue laws or regulations becomes more widespread and results in less demand and/or reduced commissions.

In some states, guaranteed issue laws have or could be coupled with related measures that may impact our business. For example, a previous proposal in California included a combination of a number of items, including a guaranteed issue component, a “mandate” that requires all individuals to purchase or otherwise obtain health insurance and a requirement that health insurance carriers spend 85% or more of premium revenue on patient care. The impact of such reforms on our business is unclear. If they are implemented, they could materially harm our business, operating results and financial condition. In addition, speculation regarding healthcare reform or potential changes in the regulatory environment in which we operate creates uncertainty that could lead to increased volatility and a reduction in our stock price.

We are also subject to additional insurance regulatory risks, because we use the Internet as our distribution platform. In many cases, it is not clear how existing insurance laws and regulations apply to Internet-related health insurance advertisements and transactions. To the extent that new laws or regulations are adopted that conflict with the way we conduct our business, or to the extent that existing laws and regulations are interpreted adversely to us, our business, operating results and financial condition would be harmed.

Compliance with the strict regulatory environment applicable to the health insurance industry and the specific products we sell is difficult and costly. If we fail to comply with the numerous laws and regulations that are applicable to our business, our business and operating results would be harmed.

The health insurance industry is heavily regulated by each state in the United States. For instance, state regulators require us to maintain a valid license in each state in which we transact health insurance business and further require that we adhere to sales, documentation and administration practices specific to that state. In addition, each employee who transacts health insurance business on our behalf must maintain a valid license in one or more states. Because we do business in all 50 states and the District of Columbia, compliance with health insurance-related laws, rules and regulations is difficult and imposes significant costs on our business. Each jurisdiction's insurance department typically has the power, among other things, to:

- grant and revoke licenses to transact insurance business;
- conduct inquiries into the insurance-related activities and conduct of agents and agencies;
- require and regulate disclosure in connection with the sale and solicitation of health insurance;
- authorize how, by which personnel and under what circumstances insurance premiums can be quoted and published and an insurance policy sold;
- approve which entities can be paid commissions from carriers;
- regulate the content of insurance-related advertisements, including web pages;
- approve policy forms, require specific benefits and benefit levels and regulate premium rates;
- impose fines and other penalties; and
- impose continuing education requirements.

Due to the complexity, periodic modification and differing interpretations of insurance laws and regulations, we may not have always been, and we may not always be, in compliance with them. New insurance laws and regulations also may not be compatible with the sale of health insurance over the Internet or with various aspects of our platform, including electronic signature or our EPI or eApproval technology as a whole. We would face increased legal and regulatory risks in this regard if we were to pursue opportunities to sell products in segments of the health insurance market in which we do not currently operate, such as Medicare or limited benefit products. Failure to comply with insurance laws and regulations or other laws and regulations applicable to or business could result in significant liability, additional department of insurance licensing requirements or the revocation of licenses in a particular jurisdiction, which could significantly increase our operating expenses, prevent us from transacting health insurance business in a particular jurisdiction and otherwise harm our business, operating results and financial condition. Moreover, an adverse regulatory action in one jurisdiction could result in penalties and adversely affect our license status or reputation in other jurisdictions due to the requirement that adverse regulatory actions in one jurisdiction be reported to other jurisdictions. Even if the allegations in any regulatory or other action against us are proven false, any surrounding negative publicity could harm consumer, marketing partner or health insurance carrier confidence in us, which could significantly damage our brand. Because some consumers, marketing partners and health insurance carriers may not be comfortable with the concept of purchasing health insurance using the Internet, any negative publicity may affect us more than it would others in the health insurance industry and would harm our business, operating results and financial condition. Changes in insurance laws and regulations may also require that we make significant modifications to our existing technology or practices, which may be costly and time-consuming to implement and could also harm our business, operating results and financial condition.

In addition, we have received, and may in the future receive, inquiries from state insurance regulators regarding our marketing and business practices. We typically respond by explaining how we believe we are in compliance with relevant regulations or may modify our practices in connection with the inquiry. Any modification of our marketing or business practices in response to future regulatory inquiries could harm our business, operating results or financial condition.

Risks Related to the Internet and Electronic Commerce

Our business is subject to online commerce security risks and, if we are unable to safeguard the security and privacy of confidential data, our business will be harmed.

Our services involve the collection and storage of confidential information of consumers and the transmission of this information to their chosen health insurance carriers. For example, we collect names, addresses, Social Security and credit card numbers, and information regarding the medical history of consumers in connection with their applications for health insurance. We cannot guarantee that we will be free of security breaches. We may be required to expend significant capital and other resources to protect against security breaches or to alleviate problems caused by security breaches. Despite our implementation of security measures, techniques used to obtain unauthorized access or to sabotage systems change frequently. As a result, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any compromise or perceived compromise of our security could damage our reputation and our relationship with our members, marketing partners and health insurance carriers, could reduce demand for our services and could subject us to significant liability as well as regulatory action, which would harm our business, operating results and financial condition. In addition, in the event that data security laws are implemented, or our health insurance carrier or other partners determine to impose new requirements on us relating to data security, we may not be able to timely comply with such requirements or such requirements may not be compatible with our current processes. Changing our processes could be time consuming and expensive, and failure to timely implement required changes could result in our inability to sell health insurance products in a particular jurisdiction or for a particular health insurance carrier or subject us to liability for non-compliance, any of which would damage our business, operating results and financial condition.

Government regulation of the Internet could adversely affect our business.

The laws governing general commerce on the Internet remain unsettled and it may take years to fully determine whether and how existing laws such as those governing intellectual property, privacy and taxation apply to the Internet. In addition, the growth and development of the market for electronic commerce may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies conducting business over the Internet. Any new laws or regulations or new interpretations of existing laws or regulations relating to the Internet could harm our business and we could be forced to incur substantial costs in order to comply with them, which would harm our business, operating results and financial condition.

Our business could be harmed if we are unable to correspond with our consumers or market the availability of our ecommerce platform by email.

We use email to market our services to potential members and as the primary means of communicating with our existing members. The laws and regulations governing the use of email for marketing purposes continue to evolve and the growth and development of the market for commerce over the Internet may lead to the adoption of additional legislation. If new laws or regulations are adopted, or existing laws and regulations are interpreted, to impose additional restrictions on our ability to send email to our members or potential members, we may not be able to communicate with them in a cost-effective manner. In addition to legal restrictions on the use of email, Internet service providers and others attempt to block the transmission of unsolicited email, commonly known as “spam.” If an Internet service provider or software program identifies email from us as “spam,” we can be placed on a restricted list that will block our email to members or potential members who maintain email accounts with these Internet service providers or who use these software programs. If we are unable to communicate by email with our members and potential members as a result of legislation, blockage or otherwise, our business, operating results and financial condition would be harmed.

Consumers depend upon third-party service providers to access our website, and our business and operating results could be harmed as a result of technical difficulties experienced by these service providers.

Consumers using our website depend upon Internet, online and other service providers for access to our website. Many of these service providers have experienced significant outages, delays and other difficulties in the past and could experience them in the future. Any significant interruption in access to our website or increase in our website’s response time as a result of these difficulties could damage our relationship with insurance carriers, marketing partners and existing and potential members and could harm our business, operating results and financial condition.

Risks Related to the Ownership of Our Common Stock

The trading price of our common stock may be subject to significant fluctuations and volatility, and our stockholders may be unable to resell their shares at a profit.

The stock markets, in general, and the markets for high technology stocks in particular, have historically experienced high levels of volatility. The market for technology stocks has been extremely volatile and frequently reaches levels that bear no relationship to the past or present operating performance of those companies. These broad market fluctuations may adversely affect the trading price of our common stock. In addition, the trading price of our common stock has been subject to significant fluctuations and may continue to fluctuate or decline. Factors that could cause fluctuations in the trading price of our common stock include, but are not limited to, the following:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of technology companies in general, and companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our operating results;
- actual or anticipated changes in the expectations of investors or securities analysts, including changes in financial estimates or investment recommendations by securities analysts who follow our business and changes in perceptions relating to the economy;
- speculation in the press or investment community;
- technological advances or introduction of new products by us or our competitors;
- actual or anticipated developments in our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both;
- actual or anticipated regulatory developments in the United States or foreign countries, including healthcare reform legislation in the United States;
- major catastrophic events;
- announcements or developments relating to the economy;
- our sale of common stock or other securities in the future;
- the trading volume of our common stock, as well as sales of large blocks of our stock; or
- departures of key personnel.

These factors, as well as general economic and political conditions and the announcement of proposed and completed acquisitions or other significant transactions, or any difficulties associated with such transactions, by us or our strategic partners, customers or our current competitors, may materially adversely affect the market price of our common stock in the future. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against that company. Such litigation could result in substantial cost and a diversion of management's attention and resources. In addition, volatility, lack of positive performance in our stock price or changes to our overall compensation program, including our equity incentive program, may adversely affect our ability to retain key employees.

Certain provisions in our charter documents and Delaware law could discourage takeover attempts and lead to management entrenchment.

Our certificate of incorporation and bylaws contain provisions that could have the effect of delaying or preventing changes in control or changes in our management without the consent of our board of directors. These provisions include:

- a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;
- cumulative voting in the election of directors is prohibited, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- the ability of our board of directors to determine to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquiror;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of the board of directors, the chief executive officer or the board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

We are also subject to certain anti-takeover provisions under Delaware law. Under Delaware law, a corporation may, in general, not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table sets forth the location, approximate square footage and primary use of each of the principal properties we occupied at December 31, 2009:

Location	Approximate Square Footage	Primary Use
Mountain View, California – East Middlefield Road	17,740	Corporate headquarters, marketing and advertising, technology and content and general and administrative
Mountain View, California – North Whisman Road	7,744	General and administrative
Gold River, California	38,897	Customer care and enrollment, technology and content and general and administrative
San Francisco, California	6,500	Marketing and advertising and general and administrative
Xiamen, China	48,873	Technology and content, customer care and enrollment, marketing and advertising and general and administrative

We lease or sublease all of these properties. We believe our existing facilities will be adequate to meet our needs for the next twelve months.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of our business, we have received and may continue to receive inquiries from state regulators relating to various matters. We have also become, and may in the future become, involved in litigation in the ordinary course of our business.

ITEM 4. Reserved

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has been quoted on The NASDAQ Global Market under the symbol "EHTH" since our initial public offering on October 13, 2006. Prior to that time, there was no public market for our stock. As of February 26, 2010, there were 90 stockholders of record of our common stock (which does not include the number of stockholders holding shares of our common stock in "street name") and the closing price of our common stock was $16.70 per share on February 26, 2010 as reported by The NASDAQ Global Market.

The following table sets forth for the indicated period the closing high and low sales prices for our common stock as reported on The NASDAQ Global Market.

	High	Low
First Quarter 2009	$16.44	$11.67
Second Quarter 2009	$19.19	$14.05
Third Quarter 2009	$18.90	$14.20
Fourth Quarter 2009	$16.65	$13.07
Year 2009	$19.19	$11.67

	High	Low
First Quarter 2008	$35.31	$20.17
Second Quarter 2008	$28.31	$17.66
Third Quarter 2008	$17.05	$12.80
Fourth Quarter 2008	$15.68	$ 8.80
Year 2008	$35.31	$ 8.80

Dividend Policy

We have never declared or paid any cash dividend on our common stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future.

Unregistered Sales of Equity Securities

During the quarter ended December 31, 2009, we did not issue or sell any shares of our common stock or other equity securities pursuant to unregistered transactions in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended.

Issuer Purchases of Equity Securities

On November 12, 2008, we announced that our board of directors authorized a stock repurchase program, pursuant to which up to 2,507,950 shares could be repurchased, for a total cost not to exceed $30 million. Share repurchases under this program complied with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The stock repurchase program was completed in September 2009 when a cumulative balance of approximately $30 million of common stock, including commissions, had been repurchased. We funded the stock repurchase program from available working capital. For accounting purposes, common stock repurchased under the program was recorded based upon the settlement date of the applicable trade. Repurchased shares are held in treasury and are accounted for using the cost method. All stock repurchases under the stock repurchase program were made on the open market. As of December 31, 2009, we had repurchased 1,877,850 shares under the program at an average cost of $15.97 per share for a total cost of $30 million.

In addition to the 1,877,850 shares repurchased under our stock repurchase program as of December 31, 2009, we have in treasury 16,505 shares that were surrendered by employees in lieu of tax withholdings due for restricted stock units. As of December 31, 2009 and 2008, we had a total of 1,894,355 and 54,454 shares, respectively, held in treasury.

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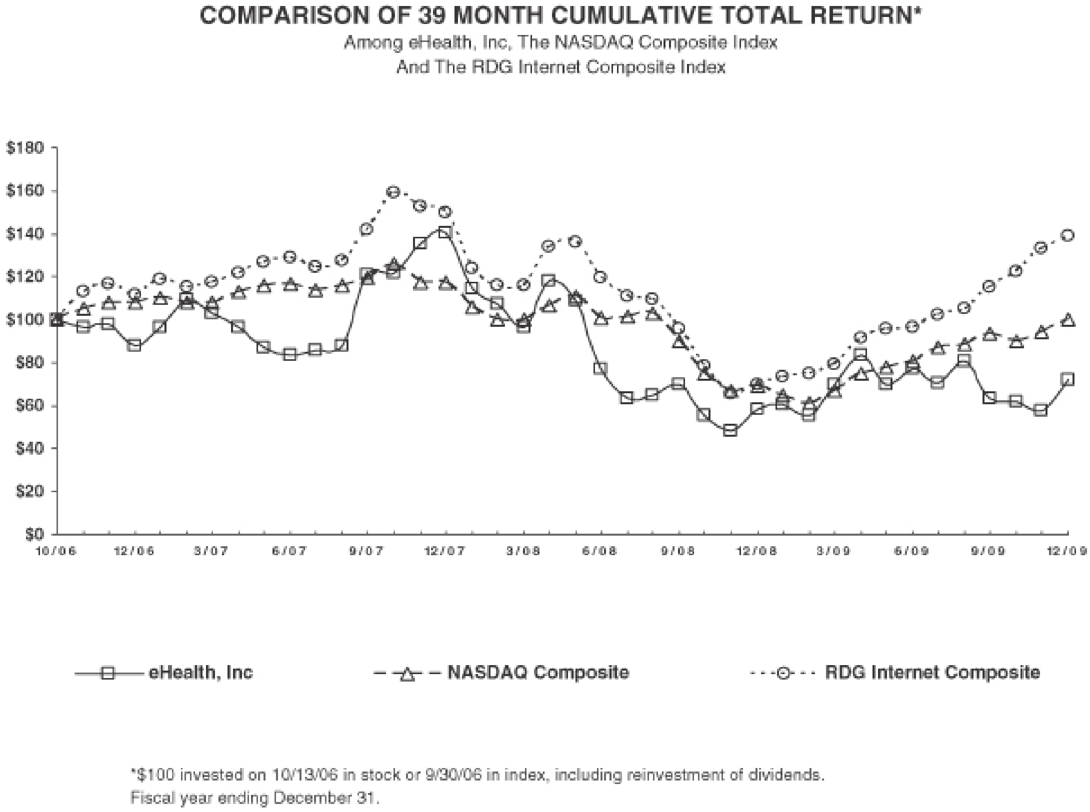
STOCK PERFORMANCE GRAPH

The following information relating to the price performance of our common stock shall not be deemed “filed” with the Securities and Exchange Commission or “soliciting material” under the Securities Exchange Act of 1934, as amended, or subject to Regulation 14A or 14C, or to liabilities under Section 18 of the Exchange Act, except to the extent that we specifically request that such information be treated as soliciting material or to the extent that we specifically incorporate this information by reference.

The graph below compares the cumulative total stockholder return on our common stock with the cumulative total returns on the NASDAQ Composite index and the Research Data Group (“RDG”) Internet Composite index for the period between our initial public offering on October 13, 2006 and December 31, 2009, assuming an investment of $100 at the beginning of such period and the reinvestment of any dividends. Pursuant to Securities and Exchange Commission rules, the starting value of the investment in our common stock is based on the closing price of our common stock on October 13, 2006, or $22.90 per share. It is not based on our $14.00 per share initial public offering price.



	10/13/06	12/29/06	12/31/07	12/31/08	12/31/09
eHealth, Inc.	100.00	87.82	140.22	57.99	71.75
NASDAQ Composite	100.00	107.65	117.62	68.58	99.98
RDG Internet Composite	100.00	111.66	136.46	73.99	138.60

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and with our consolidated financial statements and accompanying notes included in this Annual Report on Form 10-K.

We effected a 1-for-2 reverse stock split of our common stock, convertible preferred stock and Class A nonvoting common stock in September 2006. Our convertible preferred stock and Class A nonvoting common stock converted into common stock in connection with our initial public offering in October 2006. All share and per share amounts have been retroactively adjusted to reflect the conversion and the reverse stock split.

	Year Ended December 31,				
	2005	2006	2007	2008	2009
	(in thousands, except per share amounts)				
Consolidated Statements of Income (Loss) Data:					
Revenue:					
Commission	$41,237	$58,943	$ 81,502	$100,839	$119,259
Sponsorship, licensing and other	515	2,367	6,289	10,872	15,631
Total revenue	41,752	61,310	87,791	111,711	134,890
Operating costs and expenses:					
Cost of revenue-sharing	614	1,305	1,702	1,746	4,581
Marketing and advertising*	17,786	21,405	29,497	42,161	53,987
Customer care and enrollment*	8,822	10,991	12,137	14,379	14,769
Technology and content*	8,054	10,137	12,393	14,182	15,685
General and administrative*	7,108	9,482	16,046	17,983	20,028
Total operating costs and expenses	42,384	53,320	71,775	90,451	109,050
Income (loss) from operations	(632)	7,990	16,016	21,260	25,840
Interest and other income, net	239	1,326	5,287	3,714	938
Income (loss) before income taxes	(393)	9,316	21,303	24,974	26,778
Provision (benefit) for income taxes	21	(7,161)	(10,292)	10,806	11,431
Net income (loss)	$ (414)	$16,477	$ 31,595	$ 14,168	$ 15,347
Net income (loss) per share:					
Basic—common stock	$ (0.09)	$ 1.91	$ 1.37	$ 0.57	$ 0.63
Basic—Class A nonvoting common stock	$ (0.09)	$ 1.91	$ —	$ —	$ —
Diluted—common stock	$ (0.09)	$ 0.80	$ 1.22	$ 0.55	$ 0.61
Diluted—Class A nonvoting common stock	$ (0.09)	$ 0.80	$ —	$ —	$ —
Net income (loss):					
Allocated to common stock	$ (414)	$16,391	$ 31,595	$ 14,168	$ 15,347
Allocated to Class A nonvoting common stock	—	86	—	—	—
Net income (loss)	$ (414)	$16,477	$ 31,595	$ 14,168	$ 15,347
Weighted average number of shares used in per share amounts:					
Basic—common stock	4,661	8,590	23,092	24,963	24,309
Basic—Class A nonvoting common stock	3	45	—	—	—
Diluted—common stock	4,661	20,572	25,797	25,954	25,201
Diluted—Class A nonvoting common stock	3	45	—	—	—

* Includes stock-based compensation as follows:

	2005	2006	2007	2008	2009
Marketing and advertising	$ 97	$ 47	$ 218	$ 644	$ 803
Customer care and enrollment	6	42	138	266	325
Technology and content	62	226	611	898	1,194
General and administrative	26	139	539	1,686	2,513
Total	$ 191	$ 454	$ 1,506	$ 3,494	$ 4,835

	As of December 31,				
	2005	2006	2007	2008	2009
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash, cash equivalents and marketable securities	$ 9,415	$ 90,474	$121,514	$150,635	$153,523
Working capital	$ 3,636	$ 86,503	$126,845	$148,946	$148,891
Total assets	$ 15,165	$104,928	$147,453	$168,755	$169,708
Other non-current liabilities	$ 212	$ 317	$ 252	$ 628	$ 2,997
Convertible preferred stock	$ 86,319	$ —	$ —	$ —	$ —
Accumulated deficit	$(80,132)	$ (63,655)	$ (32,060)	$ (17,892)	$ (2,545)
Total stockholders’ equity (deficit)	$(78,181)	$ 95,740	$135,894	$154,979	$151,451

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are the leading online source of health insurance for individuals, families and small businesses. Our ecommerce platform enables individuals, families and small businesses to research, analyze, compare and purchase health insurance products that best meet their needs. Our technology also enables us to communicate electronically with our insurance carrier partners and process consumers' health insurance applications online. As a result, we simplify and streamline the complex and traditionally paper-intensive health insurance sales and purchasing process.

Since our incorporation in November 1997, we have invested heavily in technology and content related to our ecommerce platform. We have also invested significant time and resources in obtaining licenses to sell health insurance in all 50 states and the District of Columbia, developing diverse and successful member acquisition programs and establishing relationships with over 180 leading insurance carriers, enabling us to offer thousands of health insurance products online. Our first online transaction relating to the sale of a health insurance policy was completed during the fourth quarter of 1998.

We generate revenue primarily from commissions we receive from health insurance carriers whose policies are purchased through us by individuals, families and small businesses. We typically receive commission payments on a monthly basis for as long as a policy remains active. As a result, much of our revenue for a given financial reporting period relates to policies that we sold prior to the beginning of the period and is recurring in nature. Because health insurance pricing is set by the carrier and approved by state regulators, health insurance pricing is fixed. We, therefore, are not generally subject to negotiation or discounting of health insurance prices by health insurance carriers or our competitors.

We recently determined to market Medicare related health insurance products using our ecommerce platform, including Medicare Advantage, Medicare Supplement and Medicare Part D prescription drug plans. We plan to offer Medicare products to Medicare eligible individuals, who are predominately senior citizens over the age of 65. We determined to enter into the Medicare product market, because we believe there is an increasing number of individuals becoming eligible for Medicare and that Medicare eligible individuals are increasingly using the Internet to shop for health insurance products that supplement Medicare. We also believe that, on average, member retention rates and the commissions that health insurance carriers pay in connection with the sale of Medicare products compare favorably to the member retention rates and commissions we receive in connection with our sale of individual and family health insurance. The success of our entry into the market for Medicare products will depend upon our ability to enter into and maintain relationships with health insurance carriers on favorable economic terms to market these products on our ecommerce platform. As with our non-Medicare products, our revenue related to the marketing and sale of Medicare products is expected to consist predominantly of commissions paid to us from these health insurance carriers. We expect to invest approximately $3 million, primarily in the customer care and enrollment and technology and content areas, in 2010 to support and grow our Medicare business.

Sources of Revenue

Revenue

We generate most of our revenue from commissions paid to us by health insurance carriers whose health insurance policies we have sold. Commission revenue represented 93%, 90% and 88% of our total revenue for the years ended December 31, 2007, 2008, and 2009, respectively. The remainder of our revenue is primarily attributable to carrier sponsorship advertising on our website and licensing arrangements related to our technology. We also refer to the licensing arrangements as eCommerce On Demand, or eOD, arrangements. Our commission revenue has grown principally as a result of our penetration of the individual and family health insurance market and corresponding growth in our membership. We estimate that as of December 31, 2009 we had approximately 728,000 members compared to an estimated 621,100 members at December 31, 2008. We define a member as an individual covered by an insurance product for which we are entitled to receive compensation. During the year ended December 31, 2009, the number of members approved for individual and family major medical health insurance products grew 9% over the number of members that were approved during the year ended December 31, 2008. We recently have experienced slower year-over-year approved member growth, and we had fewer members approved in the quarter ended December 31, 2009 than were approved in the quarter ended December 31, 2008. Our approved member growth has been impacted by slower growth in submitted applications for individual and family health insurance products, more stringent underwriting by our health insurance carrier partners with respect to individual and family health insurance applications, a decline in the average number of individuals per submitted application that were approved for individual and family health insurance and a decrease in the number of submitted applications for small business and short-term health insurance products. We believe that our individual and family health insurance submitted application growth rate may have been adversely impacted by several factors, including consumer confusion related to the timing and impact of potential federal health care reform legislation, weak macro-economic conditions and the federal subsidy for health benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, or COBRA. The subsidy was implemented pursuant to the American Recovery and Reinvestment Act of 2009 and allows workers who are involuntarily terminated from employment between September 2008 and March 31, 2010 and otherwise eligible for COBRA health benefits to receive a 65% federal subsidy for COBRA health benefits. Proposals in Congress would extend the subsidy eligibility period through the end of 2010 if passed into law. We believe that the factors that have impacted our individual and family health insurance submitted application growth rate have persisted into the first quarter of 2010. To the extent that they continue to persist, they may continue to adversely impact our growth.

Our commission revenue generally represents a percentage of the insurance premium a member has paid to his or her insurance carrier and, to a lesser extent, commission override payments that insurance carriers pay us for achieving sales volume thresholds or other objectives. Commission rates vary by carrier and by the type of plan purchased by a member. Commission rates also can vary based upon the amount of time that the policy has been active, with commission rates for individual and family policies typically being higher in the first twelve months of the policy. After the first twelve months, commission rates generally decline significantly. As a result, if we do not add a sufficient number of members on new policies, our revenue growth will be negatively impacted. Individuals, families and small businesses purchasing health insurance through us typically pay their premiums on a monthly basis. Insurance carriers typically pay us our commissions monthly, after they receive the premium payment from the member. We generally continue to receive the commission payment from the relevant insurance carrier until the health insurance policy is cancelled or we otherwise do not remain the agent on the policy. As a result, the majority of our revenue is recurring in nature and has grown in correlation with the growth we have experienced in our membership base.

We recognize commission revenue when our commission is reported to us by a health insurance carrier, net of an allowance for future forfeiture amounts payable to carriers due to policy cancellations. Commissions are reported to us by a cash payment and commission statement. We generally receive these communications simultaneously. In instances when we receive the cash payment and commission statement separately and in different accounting periods, we recognize revenue in the period that we receive the earliest communication, provided we receive the second communication corroborating the amount reported in the first communication within ten business days following the end of the accounting period. If the second corroborating communication is not received within ten business days following the end of the accounting period, we recognize revenue in the period the second communication is received. We use the data in the commission statement to identify the members for which we are receiving a commission payment and the amount received for each member, and to estimate our allowance for forfeitures. Commission override payments, which are recognized on the same basis as premium commissions, are generally reported to us in a more irregular pattern than premium commissions. As a result, our revenue for a particular quarter could be higher or lower than expectations due to the timing of the reporting of commission override payments.

Revenue attributable to individual and family product offerings represented approximately 85%, 88% and 91% of our commission revenue in the years ended December 31, 2007, 2008 and 2009, respectively. We define individual and family product offerings as major medical individual and family health insurance plans, which does not include small business, short-term major medical, stand-alone dental, life and student health insurance product offerings.

In addition to the commission revenue we derive from the sale of health insurance products, we derive revenue from our online sponsorship advertising program and from licensing the use of our ecommerce technology. Our sponsorship advertising program allows carriers to purchase advertising space in specific markets in a sponsorship area on our website. In return, we are typically paid a monthly fee and a performance fee based on metrics such as submitted or approved health insurance applications. Our technology licensing business allows carriers to offer their own health insurance policies on their websites and agents to utilize our technology to power their online quoting, content and application submission processes. Typically, we are paid a one-time implementation fee, which we recognize on a straight-line basis over the estimated term of the customer relationship (generally the initial term of the agreement), commencing once the technology is available for use by the third party. In addition, we typically generate revenue based on performance criteria that are either measured based on data tracked by us, or based on data tracked by the third party. In instances where the performance criteria data are tracked by us, we recognize revenue in the period of performance. In instances where the performance criteria data are tracked by the third party, we recognize revenue when the amounts earned are both fixed and determinable and collection is reasonably assured. Typically, this occurs through our receipt of a cash payment from the third party along with a detailed statement containing the data that is tracked by the third party.

Based on information currently available to us, we expect total revenue to increase in absolute dollars in 2010 compared to 2009 as a result of continued growth in our membership as well as growth in our sponsorship and licensing businesses.

Member Acquisition

An important factor in our revenue growth is the growth of our member base. Our marketing initiatives are an important component of our strategy to grow our member base and are focused on three primary member acquisition channels: direct, marketing partners and online advertising. Our marketing initiatives are designed to encourage consumers to complete an online application for health insurance on our ecommerce platform.

Direct. Our direct member acquisition channel consists of consumers who access our website addresses (*www.ehealth.com* and *www.ehealthinsurance.com*) either directly or through algorithmic natural search listings on Internet search engines and directories. For each of the years ended December 31, 2007, 2008 and 2009, applications submitted through us for individual and family health insurance from our direct channel constituted 40%, 39% and 42%, respectively, of all individual and family health insurance applications submitted on our website.

Marketing Partners. Our marketing partner member acquisition channel consists of consumers who access our website through a network of affiliate partners and financial services and other companies. Growth in our marketing partner channel depends upon our expanding marketing programs with existing partners and adding new partners to our network. For the years ended December 31, 2007, 2008 and 2009, applications submitted through us for individual and family health insurance products from our marketing partner member acquisition channel constituted approximately 31%, 33% and 32%, respectively, of all individual and family health insurance applications submitted on our website.

Online Advertising. Our online advertising member acquisition channel consists of consumers who access our website through paid keyword search advertising from search engines such as Google, MSN and Yahoo!, as well as various Internet marketing programs such as banner advertising and email marketing. For the years ended December 31, 2007, 2008 and 2009, applications submitted through us for individual and family health insurance products from our online advertising channel constituted approximately 29%, 28% and 26%, respectively, of all individual and family health insurance applications submitted on our website.

The number of applications submitted through us for individual and family health insurance increased 14% in the year ended December 31, 2009 compared to the year ended December 31, 2008. The 14% individual and family health insurance submitted application growth in the year ended December 31, 2009 was comprised of 24% growth in our direct channel, 11% growth in our marketing partner channel and 4% growth in our online advertising channel. We experienced slower individual and family health insurance submitted application growth in the second half of 2009 than we experienced in the first half of the year. Our individual and family health insurance submitted application growth was 6% in the quarter ended December 31, 2009 compared to the quarter ended December 31, 2008. We believe that our individual and family health insurance submitted application growth rate may have been adversely impacted by several factors, including confusion relating to the timing and impact of potential healthcare reform legislation, weak macro-economic conditions and the 65% federal subsidy for health benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, or COBRA.

Operating Costs and Expenses

Cost of Revenue-Sharing

Cost of revenue-sharing consists primarily of payments made to Health Benefits Direct Corporation, or HBDC, as a result of a revenue-sharing arrangement whereby we pay HBDC a percentage of the commission revenue we receive related to certain health insurance members that HBDC transferred to us and payments made to marketing partners related to health insurance policies sold to members who were referred to our website by marketing partners with whom we have revenue-sharing arrangements. In order to enter into a revenue-sharing arrangement, these marketing partners must be licensed to sell health insurance in the state where the policy is sold. Costs related to revenue-sharing arrangements are expensed as the related revenue is recognized.

We entered into customer transition and marketing agreements with HBDC in February 2009. Pursuant to the agreements, HBDC agreed to transfer certain of its existing health insurance members to us as the new broker of record on the underlying policies and agreed to refer future health insurance prospects to us. We paid HBDC initial consideration of $1.3 million, which is being amortized to cost of revenue-sharing expense as we recognize commission revenue related to the transferred members. In addition, we agreed to pay HBDC a percentage of the commission revenue we receive on the transferred policies, as well as a percentage of the future commission revenue we receive on health insurance policies we sell to prospects HBDC refers to us. The ongoing revenue-sharing payments are also recognized as cost of revenue-sharing expense. During the year ended December 31, 2009, we became the broker of record on and recognized commission revenue from members transferred from HBDC, all of which were members on individual and family major medical policies. We expect cost of revenue-sharing expenses to decrease in absolute dollars in 2010 compared to 2009 as a result of an expected decrease in the amount of revenue-sharing payments we will make to HBDC due to a decline in the number of commission-generating members that were transferred to us from HBDC during 2009, and due to a decrease in amortization expense related to the initial consideration paid to HBDC.

Marketing and Advertising

Marketing and advertising expenses consist primarily of member acquisition expenses associated with our direct, marketing partner and online advertising member acquisition channels, in addition to compensation and other expenses related to marketing, business development, partner management, public relations and carrier relations personnel who support our offerings. Our direct channel expenses primarily consist of television advertising, radio advertising, print advertising, direct mail, email and other activities that drive consumers directly to our website.

We compensate a significant number of our marketing partners by paying a one-time fee each time a consumer referral from a partner results in a submitted health insurance application on our ecommerce platform, regardless of whether the consumer's application is approved by the health insurance carrier. Many of our marketing partners have tiered volume-incentive arrangements in which the amount of the one-time fee increases as the volume of submitted applications we receive from such marketing partners increases over a particular period. We recognize these expenditures in the period when a marketing partner's referral results in the submission of a health insurance application on our website. The number of health insurance applications submitted through our ecommerce platform has generally increased in our first quarter compared to our fourth quarter and in our third quarter compared to our second quarter. Conversely, we have generally experienced a decline or flattening in submitted applications in our second quarter compared to our first quarter and in our fourth quarter compared to our third quarter. Since a significant portion of our marketing and advertising expenses are driven by the number of health insurance applications submitted on our website, those expenses are influenced by these patterns. In addition, because the total volume of submitted applications that we receive from our marketing partners is largely outside of our control, particularly during any short-term period, and because of our tiered volume-incentive marketing partner arrangements, we could incur expenses in excess of, or below, the amounts we had planned in periods of rapid change in the volume of submitted applications from marketing partner referrals. An unanticipated increase in submitted applications resulting from marketing partner referrals could cause our net income to be lower than our expectation, since the revenue to be derived from submitted applications that are approved by health insurance carriers will not be recognized until future periods.

Paid keyword search advertising on search engines represents the majority of expenses in our online advertising channel. We incur expenses associated with search engine advertising in the period in which the consumer clicks on the advertisement.

Our average cost of acquiring new members, if measured as total marketing and advertising expenses for the year divided by the number of individuals included on applications for individual and family health insurance submitted during the year, was $70.82 in 2009 compared to $61.68 in 2008. This increase was primarily driven by increased expenses in our online advertising channel due to increased cost-per-click in paid keyword search advertising for keywords relevant to our business, a decline in the rate at which individuals coming to our ecommerce platform through the online advertising channel submitted individual and family health insurance applications and a decline in the average number of individuals applying for individual and family health insurance per submitted application. Our cost of acquisition depends significantly on the rate at which visitors to our website submit health insurance applications, particularly with respect to paid search advertising, as our paid search costs are incurred on the referral of a potential member rather than on the submission of a health insurance application. Other factors that may impact the average cost of acquiring new members include the mix of health insurance applications submitted through our three marketing channels, the mix of marketing partners referring consumers to our website, the overall trend in costs of online marketing, seasonality patterns, the amounts we pay marketing partners to refer consumers to our website, television and radio advertising expenditures, and an increase in compensation and benefits costs for marketing and advertising personnel. Additionally, we may explore new marketing initiatives that increase per member acquisition costs as part of our efforts to drive more consumers to our website or increase our brand awareness.

We expect our marketing and advertising expenses to increase in absolute dollars in 2010 compared to 2009 due to an increase in our online marketing and advertising expenditures during 2010, including paid keyword search advertising. As a result, we expect the average cost of acquiring new members to be higher in 2010 compared to 2009. As a percentage of total revenue in 2010, we expect our marketing and advertising expense to be equal to or higher than our 2009 expense as a percentage of total revenue.

Customer Care and Enrollment

Customer care and enrollment expenses primarily consist of compensation and benefits costs for personnel engaged in pre-sales assistance to applicants who call our customer care center and for enrollment personnel who assist applicants during the underwriting process. We expect customer care and enrollment expenses to increase in absolute dollars in 2010 compared to 2009 as a result of additional personnel and to develop future Medicare product sales capabilities.

Technology and Content

Technology and content expenses consist primarily of compensation and benefits costs for personnel associated with developing and enhancing our website technology as well as maintaining our website. A majority of our technology and content group is located at our wholly owned subsidiary in China, where technology development costs are generally lower than in the United States. We expect technology and content expenses to increase in absolute dollars in 2010 compared to 2009 due to our continued focus on technology development, including the enhancement of our current ecommerce platform for Medicare product capabilities.

General and Administrative

General and administrative expenses include compensation and benefits costs for staff working in our executive, finance, corporate development, investor relations, government relations, legal, human resources, internal audit, facilities and internal information technology departments. These expenses also include fees paid for outside professional services, mainly for audit, tax, legal and information technology consulting. We expect our general and administrative expenses to increase in absolute dollars in 2010 compared to 2009 due to the increased costs necessary to support the growth of our business.

Summary of Selected Metrics

The following table shows certain selected quarterly metrics for 2008 and 2009:

	Three Months Ended							
Key Metrics:	**March 31, 2008**	**June 30, 2008**	**September 30, 2008**	**December 31, 2008**	**March 31, 2009**	**June 30, 2009**	**September 30, 2009**	**December 31, 2009**
Operating cash flows (1)	$ 5,846,000	$ 8,647,000	$ 8,257,000	$ 7,444,000	$ 4,722,000	$ 8,311,000	$ 7,649,000	$ 9,404,000
IFP submitted applications (2)	114,500	103,800	117,300	115,600	141,200	121,100	131,200	122,300
IFP approved members (3)	102,500	94,300	100,800	97,700	120,900	103,400	111,100	96,100
Total approved members (4)	143,400	132,600	144,400	131,200	157,700	135,800	146,900	124,400
Total revenue (5)	$26,280,000	$27,501,000	$ 28,475,000	$ 29,455,000	$31,917,000	$33,439,000	$ 35,123,000	$ 34,411,000
Total revenue per estimated member for the period (6)	$ 48.82	$ 48.34	$ 48.19	$ 48.16	$ 49.24	$ 48.21	$ 49.00	$ 47.31

	As of March 31, 2008	**As of June 30, 2008**	**As of September 30, 2008**	**As of December 31, 2008**	**As of March 31, 2009**	**As of June 30, 2009**	**As of September 30, 2009**	**As of December 31, 2009**
IFP estimated membership (7)	471,200	488,300	506,100	528,500	585,100	614,800	630,900	636,200
Total estimated membership (8)	558,200	579,600	602,100	621,100	680,100	707,100	726,600	728,000

	Three Months Ended							
	March 31, 2008	**June 30, 2008**	**September 30, 2008**	**December 31, 2008**	**March 31, 2009**	**June 30, 2009**	**September 30, 2009**	**December 31, 2009**
Marketing and advertising expenses (9)	$ 9,649,000	$ 9,482,000	$ 11,502,000	$ 11,528,000	$13,420,000	$12,945,000	$ 14,266,000	$ 13,356,000
Marketing and advertising as a percentage of total revenue (10)	37%	34%	40%	39%	42%	39%	41%	39%
Other Metrics:								
Source of IFP submitted applications (as a percentage of total IFP applications for the period):								
Direct (11)	38%	40%	39%	40%	41%	43%	43%	44%
Marketing partners (12)	34%	32%	33%	32%	34%	33%	31%	29%
Online advertising (13)	28%	28%	28%	28%	25%	24%	26%	27%
Total	100%	100%	100%	100%	100%	100%	100%	100%
Acquisition cost per individual on IFP submitted applications (14)	$ 55.41	$ 60.39	$ 65.34	$ 65.35	$ 62.95	$ 73.45	$ 74.73	$ 73.38

Notes:

(1) Net cash provided by operating activities for the period from the consolidated statements of cash flows.

(2) IFP applications submitted on eHealth's website during the period. Applications are counted as submitted when the applicant completes the application and clicks the submit button on our website and submits the application to us. The applicant generally has additional actions to take before the application will be reviewed by the insurance carrier, such as providing additional information, providing an electronic signature, and in some cases, providing a method for payment. In addition, an applicant may submit more than one application. We include applications for IFP products for which we receive commissions as well as other forms of payment. We define our "IFP" offerings as major medical individual and family health insurance plans, which does not include small business, short-term major medical, stand-alone dental, life or student health insurance product offerings.

(3) New IFP members reported to eHealth as approved during the period. Some members that are approved by a carrier do not accept the approval and therefore do not become paying members. Does not include members transferred from Health Benefits Direct Corporation.

(4) New members for all products reported to eHealth as approved during the period. Some members that are approved by a carrier do not accept the approval and therefore do not become paying members. Does not include members transferred from Health Benefits Direct Corporation.

(5) Total revenue (from all sources) recognized during the period from the consolidated statements of income.

(6) Calculated as total revenue recognized during the period (see note (5) above) divided by average estimated membership for the period (calculated as beginning and ending estimated membership for all products for the period, divided by two). Ending membership includes an estimated 20,000 members transferred from Health Benefits Direct Corporation during 2009, net of estimated cancelations since their transfer.

(7) Estimated number of members active on IFP insurance policies as of the date indicated. Amounts as of December 31, 2009 include an estimated 20,000 members transferred from Health Benefits Direct Corporation during 2009, net of estimated cancelations since their transfer.

(8) Estimated number of members active on all insurance policies as of the date indicated. Amounts as of December 31, 2009 include an estimated 20,000 members transferred from Health Benefits Direct Corporation during 2009, net of estimated cancelations since their transfer.

(9) Marketing and advertising expenses for the period from the consolidated statements of income.

(10) Calculated as marketing and advertising expenses for the period (see note (9) above) divided by total revenue for the period (see note (5) above).

(11) Percentage of IFP submitted applications from applicants who came directly to the eHealth website through algorithmic search engine results or otherwise. See note (2) above for further information as to what constitutes a submitted application.

(12) Percentage of IFP submitted applications from applicants sourced through eHealth's network of marketing partners. See note (2) above for further information as to what constitutes a submitted application.

(13) Percentage of IFP submitted applications from applicants sourced through paid search and other online advertising activities. See note (2) above for further information as to what constitutes a submitted application.

(14) Calculated as marketing and advertising expenses for the period (see note (9) above) divided by the number of individuals on IFP applications submitted on eHealth's website during the period. This metric may not reflect the true acquisition cost.

Our insurance carrier partners bill and collect insurance premiums paid by our members. Carrier partners do not report to us the number of members that we have as of a given date. The majority of our members who terminate their policies do so by discontinuing their premium payments to the carrier and do not inform us of the cancellation. Also, some of our members pay their premiums less frequently than monthly. Given the number of months required to observe non-payment of commissions in order to confirm cancellations, we estimate the number of members who are active on insurance policies as of a specified date. We estimate the number of continuing members on non-small business insurance policies as of a specific date by taking the sum of (i) the number of members for whom we have received a commission payment for the month that is six months (or three months in the case of short-term, student and dental insurance) prior to the date of estimation (after reducing that number using historical experience for assumed member cancellations over, as applicable, the three-month or six-month period); and (ii) the number of approved members over the six-month period (or three months in the case of short-term, student and dental insurance) prior to the date of estimation (after reducing that number using historical experience for an assumed number of members who do not accept their approved policy and for estimated member cancellations through the date of the estimate). We estimate the number of small business group members using the number of initial members at the time the group is approved, and we update this number for changes in membership if such changes are reported to us by the group or carrier in the period it is reported. However, groups generally notify the carrier directly of policy cancellations and increases or decreases in group size without informing us. Additionally, our carrier partners often do not communicate this information to us. We often are made aware of policy cancellations at the time of annual renewal and update our membership statistics accordingly in the period they are reported.

After we have estimated membership for a period, we may receive information from health insurance carriers that would have impacted the estimate if we had received the information prior to the date of estimation. We may receive commission payments or other information that indicates that a member who was not included in our estimates for a prior period was in fact an active member at that time, or that a member who was included in our estimates was in fact not an active member of ours. For instance, we reconcile information carriers provide to us and may determine that we were not historically paid commissions owed to us, which would cause us to have underestimated our membership. Conversely, carriers may require us to return commission payments paid in a prior period due to policy cancellations for members we previously estimated as being active. We reflect updated information regarding our membership in the membership estimate for the current period that we are estimating, if applicable. As a result of the delay in our receipt of information from insurance carriers, actual trends in our membership are most discernable over periods longer than from one quarter to the next. In addition, and as a result of the delay we experience in receiving information about our membership, it is difficult for us to determine with any certainty the impact of current economic conditions on our membership retention.

Critical Accounting Policies and Estimates

The discussion and analysis of our consolidated financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to the useful lives of long-lived assets including property and equipment, fair value of investments, fair value of intangible assets, allowances for commission forfeitures payable to carriers, income taxes, the assumptions used in determining stock-based compensation and our assessment whether internal use software and website development costs will result in additional functionality, among others. We based our estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that we believe to be reasonable. In many cases, we could reasonably have used different accounting policies and estimates. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results may differ materially from these estimates.

We believe the following critical accounting policies affect our more significant judgments used in the preparation of our consolidated financial statements.

Revenue Recognition

We recognize commission revenue when our commission is reported to us by a health insurance carrier, net of an allowance for future forfeiture amounts payable to carriers due to policy cancellations. Commissions are reported to us by a cash payment and commission statement. We use the data in the commission statements to help identify the members for which we are receiving a commission payment and the amount received for each member, and to estimate our allowance for forfeitures payable to carriers. As a result, we recognize the net amount of compensation earned as the agent in the transaction.

Our insurance carrier partners bill and collect insurance premiums that our members pay. We rely on health insurance carriers to report accurately and in a timely manner the amount of commissions earned by us, and we calculate our commission revenues, prepare our financial reports, projections and budgets, and direct our marketing and other operating efforts based on the reports we receive from them. Each month we analyze the reports we receive from our carriers by comparing such data to the database we maintain on our members. It is often difficult for us to independently determine whether or not carriers are reporting all commissions due to us, primarily because the majority of our members who terminate their policies do so by discontinuing their premium payments to the carrier instead of by informing us of the cancellation. Also, some of our members pay their premiums less frequently than monthly. This results in our having to identify underpayment or non-payment of commissions on a policy and follow up with a carrier to obtain an explanation and/or request correction of the amount of commissions paid to us. To date, we have not had disputes of any significance with carriers related to reported commissions. To the extent that carriers understate or fail to timely and accurately report or pay the amount of commissions due to us, we will not collect and recognize revenue to which we are entitled, which, if material in amount, would adversely affect our operating results and financial condition.

Commission override revenue, which we recognize on the same basis as premium commissions, is generally reported to us in a more irregular pattern than premium commissions. As a result, our revenues for a particular quarter could be higher or lower than expectations due to the timing of the reporting of commission override revenue to us.

Certain commission amounts are subject to forfeiture in circumstances where a member has prepaid his or her premium for a future period of coverage and subsequently cancels his or her policy before the completion of that period. We estimate and record an allowance for these forfeitures based on historical cancellation experience using data provided on commission statements. The forfeitures are typically reported to us by health insurance carriers one to two months after the commission is reported and paid to us by the carrier. Our estimate of the allowance for forfeitures includes an estimate of both the reporting time lag and the forfeiture amount. Changes in our historical trends would result in changes to our estimated forfeitures in future periods. There were no changes in our average forfeiture rates or reporting time lag during the years ended December 31, 2007, 2008 and 2009 which had a material impact on our allowance for forfeitures.

In addition to the commission revenue we derive from the sale of health insurance products, we derive revenue from our online sponsorship advertising program and from licensing the use of our ecommerce technology. Our sponsorship advertising program allows carriers to purchase advertising space in specific markets in a sponsorship area on our website. In return, we are typically paid a monthly fee, which is recognized over the period that advertising is displayed, and often a performance fee based on metrics such as submitted health insurance applications. Our technology licensing business allows carriers the use of our ecommerce platform to offer their own health insurance policies on their websites and agents to utilize our technology to power their online quoting, content and application submission processes. Typically, we are paid a one-time implementation fee, which we recognize on a straight-line basis over the estimated term of the customer relationship (generally the initial term of the agreement), commencing once the technology is available for use by the third party, and a performance fee based on metrics such as submitted health insurance applications. The metrics used to calculate performance fees for both sponsorship advertising and technology licensing are based on performance criteria that are either measured based on data tracked by us, or based on data tracked by the third party. In instances where the performance criteria data is tracked by us, we recognize revenue in the period of performance. In instances where the performance criteria data is tracked by the third party, we recognize revenue when the amounts earned are both fixed and determinable and collection is reasonably assured. Typically, this occurs through our receipt of a cash payment from the third party along with a detailed statement containing the data that is tracked by the third party.

Deferred revenue consists of deferred technology licensing implementation fees as well as amounts collected from sponsorship or technology licensing customers in advance of our performing our service for such customers. We also defer amounts that have been reported to us related to transactions where our services are complete, but where we cannot currently estimate the allowance for future forfeitures related to those amounts.

Internal-Use Software and Website Development Costs

We capitalize costs of materials, consultants and compensation and benefits costs of employees who devote time to the development of internal-use software; however, we usually expense as incurred website development costs for new features and functionalities because it is not probable that they will result in additional functionality until they are both developed and tested with confirmation that they are more effective than the current set of features and functionalities on our website. Our judgment is required in determining the point at which various projects enter the states at which costs may be capitalized, in assessing the ongoing value of the capitalized costs and in determining the estimated useful lives over which the costs are amortized, which is generally three years. To the extent that we change the manner in which we develop and test new features and functionalities related to our website, assess the ongoing value of capitalized assets or determine the estimated useful lives over which the costs are amortized, the amount of website development costs we capitalize and amortize in future periods would be impacted.

Stock-Based Compensation

We recognize stock-based compensation expense in the accompanying consolidated statements of income and comprehensive income based on the fair value of our stock-based awards over their respective vesting periods, which is generally four years. The grant date fair value of our stock-based awards is determined using the Black-Scholes-Merton pricing model and a single option award approach. The weighted-average expected term for stock options granted is calculated using the simplified method, as we do not have sufficient historical option exercise behavior on which to estimate expected terms. The simplified method defines the expected term as the average of the contractual term and the vesting period of the stock option. We have estimated the volatility used as an input to the model based on an analysis of our stock price since our initial public offering in October 2006, as well as an analysis of similar public companies for which we have data. We estimate our expected volatility using the weighted-average of: our implied volatility; our mean reversion volatility; and the mean reversion volatility of similar public companies for which we have data. We have used judgment in selecting these companies, as well as evaluating the available historical and implied volatility data for these companies. The assumptions used in calculating the fair value of stock-based payment awards represent management’s best estimates, but these estimates involve inherent uncertainties and the application of management judgment. We will continue to use judgment in evaluating the expected term and volatility related to our own stock-based awards on a prospective basis, and incorporating these factors into the model. Changes in key assumptions will significantly impact the valuation of such instruments.

During the years ended December 31, 2007, 2008 and 2009, we recorded stock-based compensation expense totaling $1.5 million, $3.5 million and $4.8 million, respectively, related to stock options, restricted stock awards and restricted stock units granted to employees. Future stock-based compensation expense is dependent upon the fair value of each option at the date each option is granted and the number of awards issued and outstanding during each period. We expect stock-based compensation expense will increase in the future as the number of equity awards issued and outstanding increases.

Accounting for Income Taxes

We account for income taxes using the liability method. Deferred income taxes are determined based on the differences between the financial reporting and tax bases of assets and liabilities, using enacted statutory tax rates in effect for the year in which the differences are expected to reverse.

Since tax laws and financial accounting standards differ in their recognition and measurement of assets, liabilities, equity, revenues, expenses, gains and losses, differences arise between the amount of taxable income and pretax financial income for a year and between the tax bases of assets or liabilities and their reported amounts in our financial statements. Because we assume that the reported amounts of assets and liabilities will be recovered and settled, respectively, a difference between the tax basis of an asset or a liability and its reported amount in the balance sheet will result in a taxable or a deductible amount in some future years when the related liabilities are settled or the reported amounts of the assets are recovered, which gives rise to a deferred tax asset or liability. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery does not meet the more likely than not criteria, we must establish a valuation allowance.

Management judgment is required in determining any valuation allowance recorded against our net deferred tax assets. In the fourth quarter of 2007, we were able to develop expectations of future taxable income and estimate other relevant factors sufficiently in the future to conclude that it was more likely than not that we will realize sufficient earnings to utilize all of our deferred tax assets. Accordingly, we reversed our valuation allowance against deferred tax assets in the fourth quarter of 2007.

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes. This process involves estimating our actual current tax expense together with assessing temporary differences that may result in deferred tax assets, as well as discrete tax items during the period, such as excess tax benefits related to share-based payments. Our effective tax rate in 2009 was higher than statutory federal and state tax rates primarily due to non-deductible lobbying expenses and tax shortfalls related to share-based payments, partially offset by an income tax adjustment related to an increase in our deferred income tax assets resulting from a reduction in estimated limitations on both our federal and California net operating loss carry forwards. Our effective tax rate in 2008 was higher than statutory federal and state tax rates primarily due to tax shortfalls related to share-based payments, as well as penalties and interest associated with our unrecognized tax benefits. Our effective tax rate in 2007 differed from the statutory federal tax rate primarily due to the releases of our valuation allowance against deferred tax assets in that year.

In September 2008, the state of California approved its budget for fiscal year ending June 30, 2009, which contained changes to the California tax law which substantially limited our ability to utilize available state net operating loss and tax credit carry forwards to reduce our state income taxes payable. Under the new tax law, the utilization of net operating loss carry forwards was suspended for tax years 2008 and 2009; however, the expiration date of the net operating loss carry forwards was extended for an equivalent two-year period. Additionally, for tax years 2008 and 2009, taxpayers may only utilize available tax credit carry forwards to reduce their current tax liability up to 50% of their net tax amount before application of such credits. The new law does not affect the amount of net operating loss or tax credit carry forwards that we expect to ultimately use to offset future California taxes; however, it did limit the amount of net operating loss and tax credit carry forwards that we were able to utilize to reduce our taxes payable during 2008 and 2009, resulting in an increase in cash taxes paid to the state of California in 2008 and 2009. While this change in the California tax law did not impact our effective tax rate, our cash outlay for federal and state taxes increased to approximately 11% of pre-tax income in 2009 compared to 1% of pre-tax income 2008 and is expected to be approximately 3% to 5% of pre-tax income in 2010 assuming the state of California does not extend the suspension of the utilization of net operating loss carry forwards.

We consider stock option deduction benefits in excess of book compensation charges realized when we obtain an incremental benefit determined by the “With and Without” calculation method. Under the “With and Without” approach, excess tax benefits related to share-based payments are not deemed to be realized until after the utilization of all other tax benefits available to us. For example, net operating loss and tax credit carry forwards from prior years are used to reduce taxes currently payable prior to deductions from stock option exercises for purposes of financial reporting, while for tax return purposes, current year stock compensation deductions are generally used before net operating loss carry forwards. Indirect effects of excess tax benefits, such as the effect on research and development tax credits, are not considered. Realized excess tax benefits are reflected in the financial statements.

Due to the restriction on our ability to utilize net operating loss carry forwards to reduce taxes currently payable in California as well as the expected utilization of our remaining federal net operating losses during 2008 and 2009, we utilized excess tax benefits related to share-based payments and other unrecognized tax benefits, which increased additional paid-in capital in the consolidated balance sheets $0.3 million and $5.0 million as of December 31, 2008 and 2009, respectively, and increased other non-current liabilities in the consolidated balance sheets $0.4 million and $2.4 million as of December 31, 2008 and 2009, respectively. Additionally, the realized excess tax benefits related to share-based payments in 2008 and 2009 are classified in the consolidated statements of cash flows as both a financing cash inflow and an operating cash outflow. We expect to continue utilizing excess tax benefits related to share-based payments and other unrecognized tax benefits in 2010.

Future changes in various factors, such as the amount of stock-based compensation we record during the period and the related tax benefit we realize upon the exercise of employee stock options, potential limitations on the use of our federal and state net operating loss credit carry forwards, pending or future tax law changes including rate changes and the tax benefit from or limitations on our ability to utilize research and development credits, changes in our valuation allowance and state and foreign taxes, would impact our estimates, and as a result, could affect our effective tax rate and the amount of income tax expense we record, and pay, in future periods.

As of December 31, 2008 and 2009, we had approximately $2.8 million and $3.0 million, respectively, of unrecognized tax benefits. As of December 31, 2008 and 2009, there were $2.2 million and $2.4 million, respectively, of unrecognized tax benefits, that, if recognized, would impact the effective tax rate. Due to net operating losses, all tax years after 1998 are open to examination and adjustment.

Fair Value Measurements

We define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. We classify the inputs used to measure fair value into the following hierarchy:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Unadjusted quoted prices in active markets for similar assets or liabilities, or Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or Inputs other than quoted prices that are observable for the asset or liability
Level 3	Unobservable inputs for the asset or liability

We endeavor to utilize the best available information in measuring fair value of our assets, and as such, use market data or assumptions that we believe market participants would use in pricing an asset or liability. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. We have determined that our financial assets are classified as either Level 1 or Level 2 in the fair value hierarchy as of December 31, 2009.

In September 2006, the Financial Accounting Standards Board (“FASB”) issued guidance now codified as FASB Accounting Standards Codification (“ASC”) Topic 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The pronouncement is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB released additional guidance now codified under FASB ASC Topic 820, which provides for delayed application of certain guidance related to non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008, and interim periods within those years. We adopted certain provisions of FASB ASC Topic 820 effective January 1, 2008 (see Note 3, *Fair Value Measurements*, to our consolidated financial statements for additional information). Pursuant to the requirements of FASB ASC Topic 820, we adopted the provisions of FASB ASC Topic 820 with respect to our non-financial assets and non-financial liabilities during the first quarter of 2009. The implementation of this pronouncement did not have a material impact on our consolidated financial position, results of operations or cash flows.

During the years ended December 31, 2007, 2008 and 2009, net unrealized gains and losses incurred on our marketable securities were not significant, and, as of December 31, 2008 and 2009, we carried immaterial net unrealized gains on our marketable securities, which are reported as a component of stockholders' equity in the consolidated balance sheets and comprehensive income in the consolidated statements of income and comprehensive income. Unrealized gains and losses are the result of the change in fair value of our investments in marketable securities, primarily corporate bonds, at the beginning and end of the period. We did not realize any losses on our marketable securities during the years ended December 31, 2007, 2008 and 2009.

Results of Operations

The following table sets forth our operating results and the related percentage of total revenues for the years ended December 31, 2007, 2008 and 2009 (dollars in thousands):

	Year Ended December 31,					
	2007		2008		2009	
Revenue:						
Commission	$ 81,502	93%	$ 100,839	90%	$ 119,259	88%
Sponsorship, licensing and other	6,289	7	10,872	10	15,631	12
Total revenue	87,791	100	111,711	100	134,890	100
Operating costs and expenses:						
Cost of revenue-sharing	1,702	2	1,746	2	4,581	3
Marketing and advertising	29,497	34	42,161	38	53,987	40
Customer care and enrollment	12,137	14	14,379	13	14,769	11
Technology and content	12,393	14	14,182	13	15,685	12
General and administrative	16,046	18	17,983	16	20,028	15
Total operating costs and expenses	71,775	82	90,451	81	109,050	81
Income from operations	16,016	18	21,260	19	25,840	19
Interest and other income, net	5,287	6	3,714	3	938	1
Income before income taxes	21,303	24	24,974	22	26,778	20
Provision (benefit) for income taxes	(10,292)	(12)	10,806	10	11,431	8
Net income	$ 31,595	36%	$ 14,168	13%	$ 15,347	11%

Operating costs and expenses include the following amounts related to stock-based compensation (in thousands):

	Year Ended December 31,		
	2007	2008	2009
Marketing and advertising	$ 218	$ 644	$ 803
Customer care and enrollment	138	266	325
Technology and content	611	898	1,194
General and administrative	539	1,686	2,513
Total	$ 1,506	$ 3,494	$ 4,835

Years Ended December 31, 2007, 2008 and 2009

Revenue

The following table presents our commission, sponsorship, licensing and other and total revenue for the years ended December 31, 2007, 2008 and 2009 and the dollar and percentage change from the prior year (dollars in thousands):

	Year Ended December 31, 2007	Change $	Change %	Year Ended December 31, 2008	Change $	Change %	Year Ended December 31, 2009
Revenue:							
Commission	$ 81,502	$19,337	24%	$ 100,839	$18,420	18%	$ 119,259
Sponsorship, licensing and other	6,289	4,583	73%	10,872	4,759	44%	15,631
Total revenue	$ 87,791	$23,920	27%	$ 111,711	$23,179	21%	$ 134,890

2009 compared to 2008—Commission revenue increased $18.4 million, or 18%, in 2009 compared to 2008, primarily due to an increase in our membership. Our estimated membership increased approximately 17% to 728,000 at December 31, 2009 from 621,100 at December 31, 2008. Estimated membership at December 31, 2009 includes approximately 20,000 members, net of estimated cancellations, transferred from Health Benefits Direct Corporation, or HBDC, during 2009. Sponsorship, licensing and other revenue increased $4.8 million, or 44%, in 2009 compared to 2008, primarily due to an increase of $2.6 million from licensing arrangements related to our technology and an increase of $1.7 million related to sales of carrier sponsorship advertising on our website.

2008 compared to 2007—Commission revenue increased $19.3 million, or 24%, in 2008 compared to 2007, primarily due to an increase in our membership. Our estimated membership increased approximately 20% to 621,100 at December 31, 2008 from 518,400 at December 31, 2007. Sponsorship, licensing and other revenue increased $4.6 million, or 73%, in 2008 compared to 2007, primarily due to increased sales of carrier sponsorship advertising on our website and, to a lesser extent, new licensing arrangements related to our technology.

Substantially all revenue for all years presented was generated from customers located in the United States. The following carriers (including carriers owned by them) represented 10% or more of our total revenue for the years ended December 31, 2007, 2008 and 2009:

	Year Ended December 31, 2007	2008	2009
Aetna	11%	14%	16%
Wellpoint	18%	16%	15%
UnitedHealthcare	19%	17%	14%

Based on information currently available to us, we expect total revenue to increase in absolute dollars in 2010 compared to 2009 as a result of continued growth in our membership as well as growth in our sponsorship and licensing businesses.

Operating Costs and Expenses

Cost of Revenue-Sharing

The following table presents our cost of revenue-sharing for the years ended December 31, 2007, 2008 and 2009 and the dollar and percentage change from the prior year (dollars in thousands):

	Year Ended December 31, 2007	Change $	Change %	Year Ended December 31, 2008	Change $	Change %	Year Ended December 31, 2009
Cost of revenue-sharing	$ 1,702	$44	3%	$ 1,746	$2,835	162%	$ 4,581
Percentage of total revenue	2%			2%			3%

2009 compared to 2008—Cost of revenue-sharing increased $2.8 million, or 162%, in 2009 compared to 2008, primarily as a result of our agreement with HBDC whereby we pay them a percentage of the commission revenue we receive related to certain health insurance members that were transferred to us. Additionally, cost of revenue-sharing increased due to the amortization of the initial consideration paid to HBDC in the first quarter of 2009. To a lesser extent, cost of revenue-sharing increased as a result of an increase in the number of health insurance policies sold to members who were referred to our website by marketing partners with whom we have revenue-sharing arrangements. As a percentage of total revenue, cost of revenue-sharing increased to 3% in 2009 from 2% in 2008.

2008 compared to 2007—Cost of revenue-sharing increased $44,000, or 3%, in 2008 compared to 2007, primarily due to a slight increase in the number of health insurance policies sold to members who were referred to our website by marketing partners with whom we have revenue-sharing arrangements. Included in cost of revenue-sharing in 2007 was $0.3 million of revenue-sharing expense related to commission revenue we recognized during the year associated with a partner who transferred certain small business members to us and with whom we share a percentage of the ongoing commissions we receive on these transferred policies. As a percentage of total revenue, cost of revenue-sharing remained at 2% in both 2008 and 2007.

We expect our cost of revenue-sharing expenses to decrease in absolute dollars in 2010 compared to 2009 as a result of an expected decrease in the amount of revenue-sharing payments we will make to HBDC due to a decline in the number of commission-generating members that were transferred to us from HBDC during 2009, and due to a decrease in amortization expense related to the initial consideration paid to HBDC.

Marketing and Advertising

The following table presents our marketing and advertising expenses for the years ended December 31, 2007, 2008 and 2009 and the dollar and percentage change from the prior year (dollars in thousands):

	Year Ended December 31, 2007	Change		Year Ended December 31, 2008	Change		Year Ended December 31, 2009
		$	%		$	%	
Marketing and advertising	$ 29,497	$12,664	43%	$ 42,161	$11,826	28%	$ 53,987
Percentage of total revenue	34%			38%			40%

2009 compared to 2008— Marketing and advertising expenses increased $11.8 million, or 28%, in 2009 compared to 2008. This was primarily due to an increase in our online advertising expenses of $7.1 million resulting from an increase in paid keyword search advertising costs on Internet search engines, as the cost and number of click-throughs from the online advertising channel increased. Marketing partner expenses increased $1.9 million due to an increase in the costs per application and the growth in the number of applications submitted on our website through the marketing partner channel during 2009 compared to 2008. Additionally, compensation and benefits costs attributable to marketing and advertising personnel increased $1.6 million associated with an increase in marketing and advertising personnel. We also experienced a decline in the rate at which individuals coming to our ecommerce platform through the direct, marketing partner and online advertising member acquisition channels submitted health insurance applications, along with a decline in the average number of individuals applying for health insurance per application submitted through the direct, marketing partner and online advertising member acquisition channels. As a result, our acquisition cost per member, measured as total marketing and advertising expenses for the year divided by the number of individuals included on applications for individual and family health insurance submitted during the year, increased 15% to $70.82 in 2009 from $61.68 in 2008. As a percentage of total revenue, total marketing and advertising expenses increased to 40% in 2009 from 38% in 2008.

2008 compared to 2007—Marketing and advertising expenses increased $12.7 million, or 43%, in 2008 compared to 2007. This was primarily due to an increase in our online advertising expenses of $7.0 million resulting from an increase in paid keyword search advertising costs on Internet search engines, as the cost of and volume of click-throughs from the online advertising channel increased during 2008 compared to 2007.

Marketing partner expenses increased $3.7 million due to an increase in the costs per application and the growth in the number of applications submitted on our website through the marketing partner channel during 2008 compared to 2007. Additionally, direct advertising expenses increased $1.2 million as a result of television, radio and other marketing initiatives we undertook during the year. Finally, compensation and benefit costs of marketing and advertising personnel increased $0.5 million. Our acquisition cost per member increased 20% to $61.68 in 2008 from $51.30 in 2007. This increase was primarily due to the increases in online advertising expenditures, television and radio advertising expenditures and an increase in marketing partner channel expenses. As a percentage of total revenue, total marketing and advertising expenses increased to 38% in 2008 from 34% in 2007.

We expect our marketing and advertising expenses to increase in absolute dollars in 2010 compared to 2009 due to an increase in our online marketing and advertising expenditures during 2010, including paid keyword search advertising. As a result, we expect the average cost of acquiring new members to be higher in 2010 compared to 2009. As a percentage of total revenue in 2010, we expect our marketing and advertising expense to be equal to or higher than our 2009 expense as a percentage of total revenue. Our cost of acquisition depends significantly on the rate at which visitors to our website submit health insurance applications, particularly with respect to paid search advertising, as our paid search costs are incurred on the referral of a potential member rather than on the submission of a health insurance application. Other factors that may impact the average cost of acquiring new members include the mix of health insurance applications submitted through our three member acquisition channels, the mix of marketing partners referring consumers to our website, the overall trend in costs of online marketing, seasonality patterns, the amounts we pay marketing partners to refer consumers to our website, television and radio advertising expenditures, and an increase in compensation and benefits costs attributable to marketing and advertising personnel. We may also explore new marketing initiatives that increase per member acquisition costs as part of our efforts to drive more consumers to our website.

Customer Care and Enrollment

The following table presents our customer care and enrollment expenses for the years ended December 31, 2007, 2008 and 2009 and dollar and percentage change from the prior year (dollars in thousands):

	Year Ended December 31, 2007	Change $	Change %	Year Ended December 31, 2008	Change $	Change %	Year Ended December 31, 2009
Customer care and enrollment	$ 12,137	$2,242	18%	$ 14,379	$390	3%	$ 14,769
Percentage of total revenue	14%			13%			11%

2009 compared to 2008— Customer care and enrollment expenses increased $0.4 million, or 3%, in 2009 compared to 2008, primarily due to an increase in compensation and benefits costs associated with an increase in personnel servicing health insurance applications submitted through our website. As a percentage of total revenue, customer care and enrollment expenses decreased to 11% in 2009 from 13% in 2008 as a result of economies of scale achieved by our customer care and enrollment operations.

2008 compared to 2007—Customer care and enrollment expenses increased $2.2 million, or 18%, in 2008 compared to 2007, primarily due to an increase of $1.3 million in compensation and benefit costs associated with an increase in personnel servicing health insurance applications submitted through our website. As a percentage of total revenue, customer care and enrollment expenses decreased to 13% in 2008 from 14% in 2007 as a result of economies of scale achieved by our customer care and enrollment operations in 2007.

We expect customer care and enrollment expenses to increase in absolute dollars in 2010 compared to 2009 as a result of additional personnel and to develop future Medicare product sales capabilities.

Technology and Content

The following table presents our technology and content expenses for the years ended December 31, 2007, 2008 and 2009 and dollar and percentage change from the prior year (dollars in thousands):

	Year Ended December 31, 2007	Change $	Change %	Year Ended December 31, 2008	Change $	Change %	Year Ended December 31, 2009
Technology and content	$ 12,393	$1,789	14%	$ 14,182	$1,503	11%	$ 15,685
Percentage of total revenue	14%			13%			12%

2009 compared to 2008— Technology and content expenses increased $1.5 million, or 11%, in 2009 compared to 2008. This increase was primarily due to an increase of $0.9 million in compensation and benefits costs associated with an increase in technology and content personnel. Additionally, depreciation expense increased $0.3 million due to purchases of computer hardware and software related to our website and stock-based compensation costs increased $0.3 million due to additional equity grants to employees. As a percentage of total revenue, technology and content costs decreased to 12% in 2009 from 13% in 2008 as a result of economies of scale achieved by our technology and content operations.

2008 compared to 2007—Technology and content expenses increased $1.8 million, or 14%, in 2008 compared to 2007. This increase was primarily due to a $0.4 million increase in compensation and benefit costs associated with an increase in the number of personnel necessary to develop and maintain our technology and website content. Stock-based compensation costs increased $0.3 million due to additional equity grants to employees. Data center expenses increased $0.3 million due to a new lease for data center space, as well as new maintenance agreements for hardware and software. As a percentage of total revenue, technology and content costs decreased to 13% in 2008 from 14% in 2007 as a result of economies of scale achieved by our technology and content operations in 2008.

We expect technology and content expenses to increase in absolute dollars in 2010 compared to 2009 due to our continued focus on technology development, including the enhancement of our current ecommerce platform for Medicare product capabilities.

General and Administrative

The following table presents our general and administrative expenses for the years ended December 31, 2007, 2008 and 2009 and dollar and percentage change from the prior year (dollars in thousands):

	Year Ended December 31, 2007	Change $	Change %	Year Ended December 31, 2008	Change $	Change %	Year Ended December 31, 2009
General and administrative	$ 16,046	$1,937	12%	$ 17,983	$2,045	11%	$ 20,028
Percentage of total revenue	18%			16%			15%

2009 compared to 2008— General and administrative expenses increased $2.0 million, or 11%, in 2009 compared to 2008, primarily due to an increase in compensation and benefits costs of $1.3 million associated with an increase in our general and administrative personnel. Additionally, stock-based compensation expense increased $0.8 million due to additional equity grants to employees in our general and administrative departments and to board members. Partially offsetting these increases were decreases in recruiting costs and project consultant fees. As a percentage of total revenue, general and administrative expenses decreased to 15% in 2009 from 16% in 2008 as a result of economies of scale achieved by our general and administrative operations.

2008 compared to 2007—General and administrative expenses increased $1.9 million, or 12%, in 2008 compared to 2007, primarily due to an increase in compensation, benefit and recruiting costs of $1.3 million associated with increased personnel in our finance and legal departments. Additionally, stock-based compensation expense increased $1.1 million due to additional equity grants to employees and directors. Partially offsetting these increases were decreases in legal and accounting fees of $0.5 million and $0.4 million, respectively. As a percentage of total revenue, general and administrative expenses decreased to 16% in 2008 from 18% in 2007.

We expect our general and administrative expenses to increase in absolute dollars in 2010 compared to 2009 due to the increased costs necessary to support the growth of our business.

Interest and Other Income, Net

The following table presents our interest and other income, net, for the years ended December 31, 2007, 2008 and 2009 and the dollar and percentage change from the prior year (dollars in thousands):

	Year Ended December 31, 2007	Change $	Change %	Year Ended December 31, 2008	Change $	Change %	Year Ended December 31, 2009
Interest and other income, net	$ 5,287	$(1,573)	(30)%	$ 3,714	$(2,776)	(75)%	$ 938
Percentage of total revenue	6%			3%			1%

Interest and other income, net, primarily consists of interest income earned on our invested cash, cash equivalents and marketable securities balances, partially offset by administrative bank fees, investment management fees and interest expense on our capital lease obligations.

2009 compared to 2008—Interest and other income, net, decreased $2.8 million, or 75%, in 2009 compared to 2008, primarily due to a decline in the average yield earned on our invested cash, cash equivalents and marketable securities during the year ended December 31, 2009 compared to the year ended December 31, 2008. Interest income totaled $1.0 million and $3.9 million for the years ended December 31, 2009 and 2008, respectively. Cash, cash equivalents and marketable securities increased from $150.6 million at December 31, 2008 to $153.5 million at December 31, 2009 primarily due to cash generated from operations of $30.1 million and net proceeds from the exercise of common stock options of $0.9 million, partially offset by $29.4 million used to repurchase 1,827,193 shares of our common stock, capital expenditures of $1.4 million and initial consideration of $1.3 million paid to HBDC in connection with customer transition and marketing agreements during 2009. As a percentage of total revenue, interest and other income, net decreased to 1% in 2009 from 3% in 2008.

2008 compared to 2007—Interest and other income, net, decreased $1.6 million, or 30%, in 2008 compared to 2007, primarily due to a decline in the average yield earned on our invested cash, cash equivalents and marketable securities during the year ended December 31, 2008 compared to the year ended December 31, 2007. Interest income totaled $3.9 million and $5.4 million for the years ended December 31, 2008 and 2007, respectively. Cash, cash equivalents and marketable securities increased from $121.5 million at December 31, 2007 to $150.6 million at December 31, 2008 primarily from cash generated from operations and net proceeds from the exercise of common stock options. As a percentage of total revenue, interest and other income, net decreased to 3% in 2008 from 6% in 2007.

We expect interest and other income, net, to amount to less than 1% of total revenue in 2010 as a result of the decline in the average yield we earn on our invested cash, cash equivalents and marketable securities.

Provision (Benefit) for Income Taxes

The following table presents our provision (benefit) for income taxes for the year ended December 31, 2007, 2008 and 2009 and the dollar change from the prior year (dollars in thousands):

	Year Ended December 31, 2007	Change $	Year Ended December 31, 2008	Change $	Year Ended December 31, 2009
Provision (benefit) for income taxes	$ (10,292)	$21,098	$ 10,806	$ 626	$ 11,431
Percentage of total revenue	(12)%		10%		8%

2009—In 2009, we recorded a provision for income taxes of $11.4 million, representing an effective tax rate of 42.7% for 2009. Our effective tax rate in 2009 was higher than statutory federal and state tax rates primarily due to non-deductible lobbying expenses and tax shortfalls related to share-based payments, partially offset by an income tax benefit adjustment related to an increase in our deferred income tax assets resulting from a reduction in estimated limitations on both our federal and California net operating loss carry forwards.

New California tax legislation limited our ability to utilize net operating loss and tax credit carry forwards to reduce our state income taxes payable in 2009. As a result, our cash outlay for taxes payable to the state of California increased in 2009 compared to 2008.

2008—We recorded a provision for income taxes in 2008 of $10.8 million, representing an effective tax rate of 43.3% for 2008. Our effective tax rate in 2008 was higher than statutory federal and state tax rates primarily due to tax shortfalls related to share-based payments.

2007—In the fourth quarter of 2007, we concluded, based upon recent operating results, expectations of future taxable income, available carry forward periods and other factors, that it was more likely than not that we will realize sufficient earnings to utilize all of our deferred tax assets. Accordingly, we reversed the remaining valuation allowance against deferred tax assets and recorded a tax benefit of $18.9 million. This benefit was partially offset by a provision for income taxes of $8.6 million for 2007.

Our future effective income tax rate will depend on various factors, such as the amount of stock-based compensation we record during the year and the related tax benefit we realize upon the exercise of employee stock options, the amount of non-deductible lobbying expenses we incur, potential limitations on the use of our federal and state net operating loss credit carry forwards, the impact of pending or future tax law changes including rate changes and the tax benefit from or limitations on our ability to utilize research and development credits, state and foreign income taxes, as well as changes in our valuation allowance.

Liquidity and Capital Resources

At December 31, 2009, our cash, cash equivalents and marketable securities totaled $153.5 million. Cash equivalents are comprised of financial instruments with an original maturity of 90 days or less from the date of purchase, primarily money market funds. Marketable securities are comprised primarily of available-for-sale financial instruments with original maturities of more than 90 days but less than two years from the date of purchase. Marketable securities that are available for use in current operations are classified as current assets in the accompanying consolidated balance sheets regardless of the remaining time to maturity.

On November 12, 2008, we announced that our board of directors authorized a stock repurchase program, pursuant to which up to 2,507,950 shares could be repurchased, for a total cost not to exceed $30 million. Share repurchases under this program complied with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The stock repurchase program was completed in September 2009 when a cumulative balance of approximately $30 million of common stock, including commissions, had been repurchased. We funded the stock repurchase program from available working capital. Repurchased shares are held in treasury and are accounted for using the cost method. As of December 31, 2009, we had repurchased 1,877,850 shares under the program at an average cost of $15.97 per share for a total cost of $30 million.

The following table presents a summary of our cash flows for the years ended December 31, 2007, 2008 and 2009 (in thousands):

	Year Ended December 31,		
	2007	2008	2009
Net cash provided by (used in):			
Operating activities	$ 26,192	$ 30,194	$ 30,086
Investing activities	(41,671)	(18,706)	30,675
Financing activities	6,452	1,206	(23,562)

The cash flow statement for 2009 includes a $14.3 million cash flow benefit from taxes, of which approximately $9.3 million of tax benefit, primarily from the utilization of net operating loss carry forwards, is included in cash flow from operations and $5.0 million of net operating loss carry forwards, from the utilization of excess tax benefits related to share-based payments, is included in cash flow from financing activities.

The cash flow statement for 2008 includes a $9.7 million cash flow benefit from taxes, of which approximately $9.4 million of tax benefit, primarily from the utilization of net operating loss carry forwards, is included in cash flow from operations and $0.3 million of net operating loss carry forwards, from the utilization of excess tax benefits related to share-based payments, is included in cash flow from financing activities.

Operating Activities

Cash provided by operating activities primarily consists of net income, adjusted for certain non-cash items including deferred income taxes, depreciation and amortization, amortization and accretion on marketable securities, net, stock-based compensation expense, excess tax benefits from stock-based compensation, and the effect of changes in working capital and other activities.

2009—Our operating activities generated cash of $30.1 million during the year ended December 31, 2009 and consisted of net income of $15.3 million adjusted by non-cash items of $12.1 million and cash provided by working capital and other activities of $2.6 million. Adjustments for non-cash items primarily consisted of $9.4 million of deferred income taxes, $4.8 million of stock-based compensation expense, $2.2 million of depreciation and amortization and $0.7 million of amortization and accretion on marketable securities, net, partially offset by $5.0 million of excess tax benefits from stock-based compensation. Cash provided by working capital and other activities primarily consisted of an increase of $1.1 million in accounts payable and an increase of $0.7 million in accrued marketing expenses.

2008—Our operating activities generated cash of $30.2 million during the year ended December 31, 2008 and consisted of net income of $14.2 million adjusted by non-cash items of $14.5 million and cash provided by working capital and other activities of $1.5 million. Adjustments for non-cash items primarily consisted of $9.5 million of deferred income taxes, $3.5 million of stock-based compensation expense and $1.9 million of depreciation and amortization. Cash provided by working capital and other activities primarily consisted of an increase of $0.7 million in accrued marketing expenses, an increase of $0.7 million in accounts payable and an increase of $0.6 million in other current liabilities, partially offset by an increase of $0.7 million in accounts receivable.

During the years ended December 31, 2008 and 2009, due to the restriction on our ability to utilize net operating loss carry forwards to reduce taxes currently payable in California, we utilized excess tax benefits related to share-based payments, which resulted in a $0.3 million decrease in cash generated from operating activities and a $0.3 million increase in cash generated from financing activities during 2008, and a $5.0 million decrease in cash generated from operating activities and a $5.0 million increase in cash generated from financing activities during 2009. We expect to continue utilizing excess tax benefits related to share-based payments in 2010, which will reduce our cash generated from operating activities and increase our cash generated from financing activities in 2010. Additionally, primarily as a result of the recent change in the California tax law, our cash outlay for federal and state taxes was approximately 11% of pre-tax income for 2009 and is expected to be approximately 3% to 5% of pre-tax income for 2010 assuming the state of California does not extend the suspension of the utilization of net operating loss carry forwards.

2007—Our operating activities generated cash of $26.2 million during the year ended December 31, 2007 and consisted of net income of $31.6 million reduced by non-cash items of $7.1 million and adjusted by cash provided by working capital and other activities of $1.7 million. Reductions from non-cash items primarily consisted of $10.3 million of deferred income taxes, partially offset by $1.7 million of depreciation and amortization and $1.5 million of stock-based compensation expense. Cash provided by working capital and other activities primarily consisted of an increase of $1.0 million in accrued compensation and benefits, an increase of $0.8 million in accrued marketing expenses, an increase in other current liabilities of $0.4 million and an increase of $0.4 million in deferred revenue, partially offset by an increase of $0.6 million in accounts receivable and an increase of $0.5 in other assets.

The timing of the recognition of our commission revenue depends upon the timing of our receipt of commission reports and associated commission payments from health insurance carriers. If we were to experience a delay in receiving a commission payment from a health insurance carrier at the end of a quarter, our operating cash flows for that quarter could be negatively impacted. Additionally, commission override payments are reported to us in a more irregular pattern than premium commissions. For example, a carrier may make a commission override payment to us on an annual basis, which would positively impact our cash flows in the quarter the payment is received. The majority of our annual commission override payments are typically received during the first quarter of the year.

Historically, we have experienced a reduction in operating cash flows during the first quarter of the year due to the payment of annual performance bonuses to employees. In addition, a significant portion of our marketing and advertising expenses are driven by the number of health insurance applications submitted on our ecommerce platform. Since our marketing and advertising costs are expensed as incurred and the revenue from approved applications is recognized as commissions are subsequently reported to us, our operating cash flows could be negatively impacted by a substantial increase in the volume of applications submitted during a quarter or positively impacted by a substantial decline in the volume of applications submitted during a quarter.

Investing Activities

Our investing activities primarily consist of purchases, sales and maturities of marketable securities and purchases of computer hardware and software to enhance our website and to support our growth. Marketable securities generally consist of investment grade corporate and U.S. government-sponsored enterprise debt securities, commercial paper and certificates of deposit that have a maturity of more than 90 days but less than two years from the date of purchase and are available for use in current operations. These investments are carried at fair value with unrealized gains and losses, net of taxes, reported as a component of stockholders' equity in the consolidated balance sheets and in comprehensive income on the consolidated statements of income and comprehensive income.

2009—Net cash provided by investing activities of $30.7 million during 2009 was primarily attributable to maturities and sales of marketable securities of $73.9 million, partially offset by purchases of marketable securities of $40.6 million, capital expenditures of $1.4 million and initial consideration of $1.3 million paid to HBDC in connection with customer transition and marketing agreements.

2008—Net cash used in investing activities of $18.7 million during the year ended December 31, 2008 was primarily attributable to purchases of marketable securities of $85.7 million and capital expenditures of $2.5 million, partially offset by sales and maturities of marketable securities of $10.1 million and $59.3 million, respectively. Capital expenditures in 2008 were impacted by a project relating to the expansion of our data center operations.

2007—Net cash used in investing activities of $41.7 million during the year ended December 31, 2007 was primarily attributable to purchases of marketable securities of $54.3 million and capital expenditures of $1.8 million, partially offset by sales and maturities of marketable securities of $9.0 million and $5.5 million, respectively.

Financing Activities

2009—Net cash used in financing activities of $23.6 million during 2009 was primarily due to $29.4 million used to repurchase 1,827,193 shares of our common stock, partially offset by $5.0 million of non-cash excess tax benefits from stock-based compensation and $0.9 million of net proceeds received from the issuance of common stock pursuant to stock option exercises.

2008—Cash provided by financing activities of $1.2 million during the year ended December 31, 2008 was primarily due to $1.5 million of net proceeds received from the issuance of common stock pursuant to stock option exercises, partially offset by $0.6 million utilized to repurchase 50,657 shares of our common stock.

2007—Cash provided by financing activities of $6.5 million during the year ended December 31, 2007 was primarily due to $6.9 million of net proceeds received from the issuance of common stock pursuant to stock option exercises, partially offset by $0.3 million of costs paid related to our initial public offering.

Future Needs

We believe that cash generated from operations and our current cash, cash equivalents and marketable securities will be sufficient to fund our operations for at least the next twelve months. Our future capital requirements will depend on many factors, including our level of investment in technology and advertising initiatives. We currently do not have any bank debt, line of credit facilities or other borrowing arrangements. To the extent that available funds are insufficient to fund our future activities, we may need to raise additional capital through public or private equity or debt financing to the extent such funding sources are available.

Contractual Obligations and Commitments

The following table presents a summary of our future minimum payments under non-cancellable operating lease agreements and certain contractual obligations and commitments as of December 31, 2009 (in thousands):

Years Ending December 31,	Operating Lease Obligations	Capital Lease Obligations	Service and Licensing Obligations	Total Obligations
2010	$ 2,919	$ 57	$ 462	$ 3,438
2011	2,454	57	260	2,771
2012	2,036	14	—	2,050
2013	239	—	—	239
2014	206	—	—	206
Total	$ 7,854	$ 128	$ 722	$ 8,704

Operating Lease Obligations

We lease certain of our office, operating facilities, equipment and furniture and fixtures under various operating leases, the latest of which expires in October 2014. Certain of these leases have free or escalating rent payment provisions. We recognize rent expense on our operating leases on a straight-line basis over the terms of the leases, although actual cash payment obligations under certain of these agreements fluctuate over the terms of the agreements.

During 2009, we extended the operating lease for our facility in San Francisco, California for an additional five years, expiring in October 2014, extended the operating leases for our headquarter facilities in Mountain View, California for an additional year, expiring in August 2010, and expanded the operating lease for our facility in China to include additional office space.

Capital Lease Obligations

In December 2008, we entered into a capital lease agreement for office equipment which expires in April 2012.

Service and Licensing Obligations

We have entered into service and licensing agreements with third-party vendors to provide various services, including website development, website hosting, network access, data center services and software licensing. The terms of these services and licensing agreements are generally up to three years, the latest of which expires in November 2011. We record the related service and licensing expenses on a straight-line basis, although actual cash payment obligations under certain of these agreements fluctuate over the terms of the agreements.

As of December 31, 2009, we had unrecognized tax benefits of 3.0 million classified as other non-current liabilities in the consolidated balance sheet. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in individual years due to uncertainties in the timing of tax audit outcomes; therefore, such amounts are not included in the above contractual obligation table.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, investments in special purpose entities or undisclosed borrowings or debt. Additionally, we are not a party to any derivative contracts or synthetic leases.

Recently Issued Accounting Standards

See *Note 1 of Notes to Consolidated Financial Statements* for recently issued accounting standards that could have an effect on us.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Sensitivity

As of December 31, 2009, we had cash and cash equivalents of $131.3 million, which consisted primarily of cash and highly liquid money market instruments. We also had marketable securities of $22.2 million, which consisted primarily of U.S. government-sponsored enterprise and corporate debt securities with original maturities of more than 90 days but less than one year from the date of purchase and are available for use in current operations. Marketable securities that are available for use in current operations are classified as current assets in the accompanying consolidated balance sheets regardless of the remaining time to maturity.

The primary objective of our investment activities is to preserve principal. Some of the securities in which we invest may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk, we intend to maintain our portfolio of highly liquid cash equivalents and marketable securities in a variety of instruments, including money market funds, commercial paper, corporate and U.S. government-sponsored enterprise debt securities and certificates of deposit. We do not use financial instruments for trading or other speculative purposes, nor do we use leveraged financial instruments. Our investment policy limits investments to certain types of securities issued by institutions with investment-grade credit ratings and places restrictions on maturities and concentration by type and issue. The policy also prohibits investing in certain types of instruments including asset-backed securities, mortgage-backed securities, collateralized bond, debt and mortgage obligations, tax exempt securities, auction rate securities and derivatives. If overall interest rates had been 10% lower during the year ended December 31, 2009, our interest income would have declined by approximately $0.1 million during that period, assuming a consistent level in our cash, cash equivalents and marketable securities, which is not material to our consolidated financial statements.

Foreign Currency Exchange Risk

To date, substantially all of our revenue has been derived from transactions denominated in United States Dollars. We have exposure to adverse changes in exchange rates associated with operating expenses of our foreign operations, which are denominated in Chinese Yuan Renminbi. Foreign currency fluctuations have not had a material impact historically on our results of operations; however, there can be no assurance that future fluctuations will not have material adverse effects on our results of operations. We have not engaged in any foreign currency hedging or other derivative transactions to date.

Credit Risk

Our financial instruments that are exposed to concentrations of credit risk principally consist of cash, cash equivalents, marketable securities and accounts receivable. We deposit our cash, cash equivalents and marketable securities in accounts with major banks and financial institutions and such deposits are in excess of federally insured limits. As of December 31, 2008 and 2009, our cash, cash equivalent and marketable securities balances were invested in securities issued by institutions in the following industries (in thousands):

Industry	December 31, 2008	December 31, 2009
Cash	$ 4,659	$ 7,085
Money market funds (1)	89,477	124,254
Bonds, commercial paper and certificates of deposit:		
Government sector	38,003	17,891
Financial sector	12,176	3,054
Industrial sector	4,308	1,239
Utility sector	2,012	—
Total cash, cash equivalents and marketable securities	$ 150,635	$ 153,523

(1) At December 31, 2008 and 2009, money market funds consisted of U.S. government-sponsored enterprise bonds and discount notes, U.S. government treasury bills and notes and repurchase agreements collateralized by U.S. government obligations.

At December 31, 2009, we evaluated each of our unrealized losses, all of which are from U.S. government-sponsored enterprise bonds and discount notes and corporate bonds, and determined them to be temporary. Factors we considered in determining whether unrealized losses were temporary included the length of time and extent to which each investment's fair value has been less than its cost basis, the financial condition and near-term prospects of the investee, and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value.

During the years ended December 31, 2007, 2008 and 2009, net unrealized gains and losses incurred on our marketable securities were not significant, and, as of December 31, 2008 and 2009, we carried immaterial net unrealized gains on our marketable securities, which are reported as a component of stockholders' equity in the consolidated balance sheets and comprehensive income in the consolidated statements of income and comprehensive income. Unrealized gains and losses are the result of the change in fair value of our investments in marketable securities, primarily U.S. government-sponsored enterprise bonds and discount notes and corporate bonds, at the beginning and end of the period. We did not realize any losses on our marketable securities during the years ended December 31, 2007, 2008 and 2009.

We do not require collateral or other security for our accounts receivable. As of December 31, 2009, two carriers represented $0.9 million, or 39%, of our total accounts receivable. No other carrier represented 10% or more of our total accounts receivable. We believe the potential for collection issues with any of our carriers is minimal. Accordingly, our allowance for uncollectible amounts at December 31, 2009 was not material.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to the Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
eHealth, Inc.

We have audited the accompanying consolidated balance sheets of eHealth, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of eHealth, Inc. at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, eHealth, Inc. changed its method of accounting for uncertain tax positions as of January 1, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), eHealth, Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 5, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Palo Alto, California
March 5, 2010

EHEALTH, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share information)

	December 31, 2008	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 94,136	$ 131,339
Marketable securities	56,499	22,184
Accounts receivable	2,005	2,295
Deferred income taxes	7,580	6,009
Prepaid expenses and other current assets	1,874	2,324
Total current assets	162,094	164,151
Property and equipment, net	4,567	3,775
Deferred income taxes	1,314	919
Other assets	780	863
Total assets	$ 168,755	$ 169,708
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 2,190	$ 3,252
Accrued compensation and benefits	4,662	5,051
Accrued marketing expenses	3,162	3,879
Deferred revenue	427	401
Other current liabilities	2,707	2,677
Total current liabilities	13,148	15,260
Other non-current liabilities	628	2,997
Commitments and contingencies (see *Note 8*)		
Stockholders' equity:		
Preferred stock: $0.001 par value; Authorized shares: 10,000,000; Issued and outstanding shares: none	—	—
Common stock: $0.001 par value; Authorized shares: 100,000,000; 25,095,389 and 25,311,085 shares issued at December 31, 2008 and 2009, respectively; and 25,040,935 and 23,416,730 shares outstanding at December 31, 2008 and 2009, respectively	25	25
Additional paid-in capital	173,095	183,747
Treasury stock shares, at cost: 54,454 and 1,894,355 at December 31, 2008 and 2009, respectively	(639)	(29,999)
Deferred stock-based compensation	(22)	—
Accumulated deficit	(17,892)	(2,545)
Accumulated other comprehensive income	412	223
Total stockholders' equity	154,979	151,451
Total liabilities and stockholders' equity	$ 168,755	$ 169,708

The accompanying notes are an integral part of these consolidated financial statements.

EHEALTH, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)

	Year Ended December 31,		
	2007	2008	2009
Revenue:			
Commission	$ 81,502	$100,839	$119,259
Sponsorship, licensing and other	6,289	10,872	15,631
Total revenue	87,791	111,711	134,890
Operating costs and expenses:			
Cost of revenue-sharing	1,702	1,746	4,581
Marketing and advertising	29,497	42,161	53,987
Customer care and enrollment	12,137	14,379	14,769
Technology and content	12,393	14,182	15,685
General and administrative	16,046	17,983	20,028
Total operating costs and expenses	71,775	90,451	109,050
Income from operations	16,016	21,260	25,840
Interest and other income, net	5,287	3,714	938
Income before income taxes	21,303	24,974	26,778
Provision (benefit) for income taxes	(10,292)	10,806	11,431
Net income	$ 31,595	$ 14,168	$ 15,347
Comprehensive income:			
Net income	$ 31,595	$ 14,168	$ 15,347
Change in unrealized gain on marketable securities, net of taxes	58	156	(192)
Foreign currency translation adjustment	77	70	3
Total comprehensive income	$ 31,730	$ 14,394	$ 15,158
Net income per share:			
Basic	$ 1.37	$ 0.57	$ 0.63
Diluted	$ 1.22	$ 0.55	$ 0.61
Weighted average number of shares used in per share amounts:			
Basic—common stock	23,092	24,963	24,309
Diluted—common stock	25,797	25,954	25,201

The accompanying notes are an integral part of these consolidated financial statements.

EHEALTH, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Stock		Deferred Stock-Based Compensation	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount	Shares	Amount		Shares	Amount				
Balance at December 31, 2006	—	$ —	21,749	$ 22	$159,576	—	$ —	$ (254)	$ (63,655)	$ 51	$ 95,740
Issuance of common stock in connection with exercise of common stock options and release of vested restricted stock units	—	—	2,940	3	6,865	—	—	—	—	—	6,868
Termination of employee restricted common stock awards	—	—	(2)	—	—	—	—	—	—	—	—
Stock-based compensation related to employees	—	—	—	—	1,388	—	—	—	—	—	1,388
Amortization of deferred stock-based compensation, net of adjustments for terminated employees	—	—	—	—	(32)	—	—	150	—	—	118
Tax benefit for stock option transactions	—	—	—	—	50	—	—	—	—	—	50
Change in unrealized gain on investments, net of taxes	—	—	—	—	—	—	—	—	—	58	58
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	77	77
Net income	—	—	—	—	—	—	—	—	31,595	—	31,595
Balance at December 31, 2007	—	$ —	24,687	$ 25	$167,847	—	$ —	$ (104)	$ (32,060)	$ 186	$ 135,894
Issuance of common stock in connection with exercise of common stock options and release of vested restricted stock units	—	—	408	—	1,538	—	—	—	—	—	1,538
Stock-based compensation related to employees	—	—	—	—	3,425	—	—	—	—	—	3,425
Amortization of deferred stock-based compensation, net of adjustments for terminated employees	—	—	—	—	(13)	—	—	82	—	—	69

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EHEALTH, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY—(Continued)
(In thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Stock		Deferred Stock-Based Compensation	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount	Shares	Amount		Shares	Amount				
Tax benefit for stock option transactions	—	—	—	—	298	—	—	—	—	—	298
Change in unrealized gain on investments, net of taxes	—	—	—	—	—	—	—	—	—	156	156
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	70	70
Repurchase of common stock	—	—	—	—	—	(54)	(639)	—	—	—	(639)
Net income	—	—	—	—	—	—	—	—	14,168	—	14,168
Balance at December 31, 2008	—	—	25,095	25	173,095	(54)	(639)	(22)	(17,892)	412	154,979
Issuance of common stock in connection with exercise of common stock options and release of vested restricted stock units	—	—	216	—	858	—	—	—	—	—	858
Stock-based compensation related to employees	—	—	—	—	4,815	—	—	—	—	—	4,815
Amortization of deferred stock-based compensation, net of adjustments for terminated employees	—	—	—	—	—	—	—	22	—	—	22
Tax benefit for stock option transactions	—	—	—	—	4,979	—	—	—	—	—	4,979
Change in unrealized gain on investments, net of taxes	—	—	—	—	—	—	—	—	—	(192)	(192)
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	3	3
Repurchase of common stock	—	—	—	—	—	(1,840)	(29,360)	—	—	—	(29,360)
Net income	—	—	—	—	—	—	—	—	15,347	—	15,347
Balance at December 31, 2009	—	$ —	25,311	$ 25	$183,747	(1,894)	$(29,999)	$ —	$ (2,547)	$ 223	$ 151,451

The accompanying notes are an integral part of these consolidated financial statements.

EHEALTH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2007	2008	2009
Operating activities			
Net income	$ 31,595	$ 14,168	$ 15,347
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	(10,303)	9,451	9,352
Depreciation and amortization	1,709	1,863	2,211
Amortization and accretion on marketable securities, net	—	—	749
Stock-based compensation expense	1,506	3,494	4,835
Excess tax benefits from stock-based compensation	(50)	(298)	(4,979)
Deferred rent	(40)	(51)	(45)
Loss on disposal of property and equipment	30	45	16
Changes in operating assets and liabilities:			
Accounts receivable	(583)	(705)	(290)
Prepaid expenses and other current assets	(11)	64	389
Other assets	(524)	196	358
Accounts payable	308	693	1,060
Accrued compensation and benefits	958	(41)	388
Accrued marketing expenses	807	708	717
Deferred revenue	374	(9)	(26)
Other current liabilities	416	616	4
Net cash provided by operating activities	26,192	30,194	30,086
Investing activities			
Purchases of property and equipment	(1,777)	(2,482)	(1,433)
Purchase of other assets	—	—	(1,280)
Proceeds from the sale of property and equipment	14	—	—
Purchases of marketable securities	(54,343)	(85,653)	(40,550)
Sales of marketable securities	8,952	10,120	5,006
Maturities of marketable securities	5,483	59,309	68,932
Net cash provided by (used in) investing activities	(41,671)	(18,706)	30,675
Financing activities			
Costs incurred in connection with initial public offering	(252)	—	—
Net proceeds from exercise of common stock options	6,868	1,547	860
Repurchase of common stock	—	(639)	(29,360)
Excess tax benefits from stock-based compensation	50	298	4,979
Principal payments in connection with capital leases	(214)	—	(41)
Net cash provided by (used in) financing activities	6,452	1,206	(23,562)
Effect of exchange rate changes on cash and cash equivalents	106	47	4
Net increase (decrease) in cash and cash equivalents	(8,921)	12,741	37,203
Cash and cash equivalents at beginning of period	90,316	81,395	94,136
Cash and cash equivalents at end of period	$ 81,395	$ 94,136	$131,339
Supplemental disclosure of non-cash activities			
Capital lease obligations incurred (terminated)	$ (6)	$ 164	$ —
Supplemental disclosure of cash flows			
Cash paid for interest	$ 7	$ —	$ 20
Cash paid for income taxes	$ 487	$ 133	$ 2,999

The accompanying notes are an integral part of these consolidated financial statements.

EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Summary of Business and Significant Accounting Policies

Description of Business—eHealth, Inc. (the "Company," "eHealth," "we" or "us") offers Internet-based insurance agency services for individuals, families and small businesses in the United States, as well as technology licensing and Internet advertising services. Our services and technology enable individuals, families and small businesses to research, analyze, compare and purchase health insurance products from health insurance carriers across the nation. We are licensed to market and sell health insurance in all 50 states and the District of Columbia.

Principles of Consolidation—The consolidated financial statements include the accounts of eHealth, Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Segments—We operate in one business segment. See *Note 9—Segment and Geographic Information* for additional information regarding our business segment.

Subsequent Events Evaluation—We have reviewed and evaluated material subsequent events from the balance sheet date of December 31, 2009 through the date of issuance of these financial statements. No subsequent events have been identified for disclosure.

Use of Estimates—The preparation of consolidated financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates, including those related to, but not limited to, the useful lives of long-lived assets including property and equipment, fair value of investments, fair value of intangible assets, allowances for commission forfeitures payable to carriers, valuation allowance for deferred income taxes, provision for income taxes, our assessment whether internal use software and website development costs will result in additional functionality, estimates relating to the amortization of the initial consideration paid to Health Benefits Direct Corporation which is being recognized as cost of revenue-sharing expense and the assumptions used in determining stock-based compensation. We base our estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that we believe to be reasonable. Actual results may differ from these estimates.

Cash Equivalents—We consider all investments with an original maturity of three months or less from the date of purchase to be cash equivalents. We classify all of our cash equivalents as available-for-sale. Cash and cash equivalents are stated at fair value.

Marketable Securities—We invest in accordance with a policy that seeks to preserve principal while maximizing income without significantly increasing risk. The policy limits investments to certain types of securities issued by institutions with investment-grade credit ratings and places restrictions on maturities and concentration by type and issue. The policy also prohibits investing in certain types of instruments including asset-backed securities, mortgage-backed securities, collateralized bond, debt and mortgage obligations, tax exempt securities, auction rate securities and derivatives. It is our policy to review our marketable securities on at least a quarterly basis to determine if any security is not in compliance with our policy. Additionally, our investment managers are required to inform us within three business days of any credit rating downgrade resulting in non-compliance with our investment policy.

All of our marketable securities are classified as available-for-sale. Marketable securities are carried at their fair value, based on quoted market prices or other available information, with unrealized gains and losses, net of

EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

taxes, reported as a component of accumulated other comprehensive income in the accompanying consolidated balance sheets. Realized gains and losses on marketable securities are recognized in earnings as a component of interest and other income, net in the consolidated statements of income and comprehensive income. The cost of investments sold is based on the specific identification method.

We determine the appropriate classification of our investments in marketable securities at the time of purchase and reevaluate such designation at each balance sheet date. In response to changes in the availability of and the yield on alternative investments, we may sell certain securities prior to their stated maturities. Marketable securities that are available for use in current operations are classified as current assets in the accompanying consolidated balance sheets regardless of the remaining time to maturity.

It is our policy to review our marketable securities on a regular basis to evaluate whether or not any security has experienced an other-than-temporary decline in fair value. Our policy includes, but is not limited to, reviewing the length of time and extent to which the fair value has been less than the cost, the financial condition and near-term prospects of the issuer, and our intent and ability to retain our investment in the issuer for a period of time sufficient to allow for recovery of fair value. If an investment's decline in fair value is caused by factors other than changes in interest rates and is deemed to be other-than-temporary, we would reduce the investment's carrying value to its estimated fair value, as determined based on quoted market prices or other market indicators. No declines in the values of our marketable securities were judged to be other-than-temporary during the three-year period ended December 31, 2009.

See *Note 2—Balance Sheet Accounts* for additional information regarding our marketable securities.

Property and Equipment—Property and equipment are stated at cost, less accumulated depreciation and amortization. Capital lease amortization expenses are included in depreciation expense in our consolidated statements of income and comprehensive income. Depreciation is computed using the straight-line method based on estimated useful lives as follows:

Computer equipment and software	3 to 5 years
Office equipment and furniture	5 years
Leasehold improvements	Lesser of useful life (typically 5 to 7 years) or related lease term

Maintenance and minor replacements are expensed as incurred.

See *Note 2—Balance Sheet Accounts* for additional information regarding our property and equipment.

Long-Lived Assets—We evaluate long-lived assets for impairment on a periodic basis or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. No long-lived assets were deemed impaired during the three-year period ended December 31, 2009.

Fair Value of Financial Instruments—The carrying amounts of our financial instruments, including cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued liabilities (including accrued compensation and benefits, accrued marketing expenses and other current liabilities), approximate fair value because of their short maturities. The carrying amounts of our capital leases approximate the fair value of these obligations based upon our best estimates of interest rates that would be available for similar debt obligations at December 31, 2009.

EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Concentration of Credit Risk and Significant Customers—Our financial instruments that are exposed to concentrations of credit risk principally consist of cash, cash equivalents, marketable securities and accounts receivable. We invest our cash, cash equivalents and marketable securities with major banks and financial institutions and, at times, such investments may be in excess of federally insured limits. As of December 31, 2008 and 2009, our cash, cash equivalent and marketable securities balances were invested in securities issued by institutions in the following industries (in thousands):

Industry	December 31, 2008	December 31, 2009
Cash	$ 4,659	$ 7,085
Money market funds (1)	89,477	124,254
Bonds, commercial paper and certificates of deposit:		
Government sector	38,003	17,891
Financial sector	12,176	3,054
Industrial sector	4,308	1,239
Utility sector	2,012	—
Total cash, cash equivalents and marketable securities	$ 150,635	$ 153,523

(1) At December 31, 2008 and 2009, money market accounts invested primarily in U.S. government-sponsored enterprise bonds and discount notes, U.S. government treasury bills and notes and repurchase agreements collateralized by U.S. government obligations.

We do not require collateral or other security for our accounts receivable. As of December 31, 2009, two carriers represented $0.9 million, or 39%, of our total accounts receivable. No other carrier represented 10% or more of our total accounts receivable. We believe the potential for collection issues with any of our carriers is minimal. Accordingly, our allowance for uncollectible accounts at December 31, 2009 was not material.

Substantially all revenue for all years presented was generated from customers located in the United States. The following carriers (or carriers owned by them) represented 10% or more of our total revenue for the years ended December 31, 2007, 2008 and 2009:

	Year Ended December 31,		
	2007	2008	2009
Aetna	11%	14%	16%
Wellpoint	18%	16%	15%
UnitedHealthcare	19%	17%	14%

Revenue attributable to individual and family product offerings in the years ended December 31, 2007, 2008 and 2009 represented approximately 85%, 88% and 91% of our commission revenue, respectively. We define individual and family product offerings as major medical individual and family health insurance plans, which does not include small business, short-term major medical, stand-alone dental, life and student health insurance product offerings.

Partnership with Health Benefits Direct Corporation—In February 2009, we entered into customer transition and marketing agreements with Health Benefits Direct Corporation, or HBDC. Pursuant to these agreements, HBDC agreed to transfer certain of its existing health insurance members to us as the new broker of record on the underlying policies and agreed to refer future health insurance prospects to us. We paid HBDC initial consideration of $1.3 million, which is being amortized to cost of revenue-sharing expense as we recognize commission revenue related to the transferred members. In addition, we agreed to pay HBDC a percentage of the commission revenue we receive on the transferred policies, as well as a percentage of the future commission revenue we receive on health insurance policies we sell to prospects HBDC refers to us. The ongoing revenue-sharing payments are recognized as cost of revenue-sharing expense when we recognize the related revenue.

Seasonality—The number of health insurance applications submitted through our ecommerce platform has generally increased in our first quarter compared to our fourth quarter and in our third quarter compared to our second quarter. Conversely, we have generally experienced a decline or flattening in submitted applications in our second quarter compared to our first quarter and in our fourth quarter compared to our third quarter. Since a significant portion of our marketing and advertising expenses are driven by the number of health insurance applications submitted on our website, those expenses are influenced by these seasonal patterns.

Revenue Recognition—We recognize revenue for our services when each of the following four criteria is met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller's price to the buyer is fixed or determinable; and collectibility is reasonably assured.

Our revenue is primarily comprised of compensation paid to us by health insurance carriers related to insurance policies that have been purchased by a member who used our service. We define a member as an individual currently covered by an insurance product for which we are entitled to receive compensation from an insurance carrier. Our compensation generally represents a percentage of the premium amount collected by the carrier during the period that a member maintains coverage under a policy (commissions) and, to a lesser extent, override commissions that health insurance carriers pay us for achieving certain objectives. Premium-based commissions are reported to us after the premiums are collected by the carrier, generally on a monthly basis. We generally continue to receive the commission payment from the relevant insurance carrier until the health insurance policy is cancelled or we otherwise do not remain the agent on the policy. We determine that there is persuasive evidence of an arrangement when we have a commission agreement with a health insurance carrier, a carrier reports to us that it has approved an application submitted through our ecommerce platform and the applicant starts making payments on the policy. Our services are complete when a carrier has approved an application. Commissions are deemed fixed or determinable and collectibility is reasonably assured when commission amounts have been reported to us by a carrier. We recognize commission override revenue when reported to us by a carrier based on the actual attainment of predetermined target sales levels or other objectives as determined by the carrier.

We recognize commission revenue when our commission is reported to us by a health insurance carrier, net of an allowance for future forfeiture amounts payable to carriers due to policy cancellations. Commissions are reported to us by a cash payment and commission statement. We generally receive these communications simultaneously. In instances when we receive the cash payment and commission statement separately and in different accounting periods, we recognize revenue in the period that we receive the earliest communication, provided we receive the second communication corroborating the amount reported in the first communication within ten business days following the end of the accounting period. If the second corroborating communication is not received within ten business days following the end of the accounting period, we recognize revenue in the period the second communication is received. We use the data in the commission statements to help identify the members for which we are receiving a commission payment and the amount received for each member, and to estimate our allowance for forfeitures payable to carriers. As a result, we recognize the net amount of compensation earned as the agent in the transaction.

Certain commission amounts are subject to forfeiture in circumstances where a member has prepaid his or her premium for a future period of coverage and subsequently cancels his or her policy before the completion of that period. The forfeitures are typically reported to us by health insurance carriers one to two months after the commission is reported and paid to us by the carrier. Accordingly, we estimate and record an allowance for these forfeitures based on specific events with our carriers and our historical cancellation experience. Our estimate of the allowance for forfeitures includes an estimate of both the reporting time lag and the forfeiture amount. Changes in our historical trends would result in changes to our estimated forfeitures in future periods. There were no changes in our average forfeiture rates or reporting time lag during the years ended December 31, 2007, 2008 and 2009 which had a material impact on our general allowance for forfeitures. We also record an allowance for instances in which we have received commission over-payments from carriers or when we have determined that a portion of a specific commission payment received is otherwise refundable to the carrier.

In addition to the commission revenue we derive from the sale of health insurance products, we derive revenue from our online sponsorship advertising program and from licensing the use of our ecommerce technology. Our sponsorship advertising program allows carriers to purchase advertising space in specific markets in a sponsorship area on our website. In return, we are typically paid a monthly fee, which is recognized over the period that advertising is displayed, and often a performance fee based on metrics such as submitted health insurance applications. Our technology licensing business allows carriers the use of our ecommerce platform to offer their own health insurance policies on their websites and agents to utilize our technology to power their online quoting, content and application submission processes. Typically, we are paid a one-time implementation fee, which we recognize on a straight-line basis over the estimated term of the customer relationship (generally the initial term of the agreement), commencing once the technology is available for use by the third party, and a performance fee based on metrics such as submitted health insurance applications. The metrics used to calculate performance fees for both sponsorship advertising and technology licensing are based on performance criteria that are either measured based on data tracked by us, or based on data tracked by the third party. In instances where the performance criteria data is tracked by us, we recognize revenue in the period of performance. In instances where the performance criteria data is tracked by the third party, we recognize revenue when the amounts earned are both fixed and determinable and collection is reasonably assured. Typically, this occurs through our receipt of a cash payment from the third party along with a detailed statement containing the data that is tracked by the third party.

Deferred Revenue—Deferred revenue consists of deferred technology licensing implementation fees as well as amounts collected from sponsorship or technology licensing customers in advance of our performing our service for such customers. We also defer amounts that have been reported to us related to transactions where our services are complete, but where we cannot currently estimate the allowance for future forfeitures related to those amounts.

Cost of Revenue-Sharing—Cost of revenue-sharing consists primarily of payments related to health insurance policies sold to members who were referred to our website by marketing partners with whom we have revenue-sharing arrangements. Costs related to revenue-sharing arrangements are expensed at the time the related revenue is recognized. Cost of revenue-sharing also includes costs related to the initial consideration we paid to HBDC pursuant to the customer transition and marketing agreements we entered into, which is being amortized to cost of revenue-sharing expense in the consolidated statements of income and comprehensive income as we recognize commission revenue related to the transferred members.

Marketing and Advertising—Marketing and advertising expenses consist primarily of member acquisition expenses associated with our direct, marketing partner and online advertising channels, in addition to compensation, benefits and other expenses related to marketing, business development, partner management, public relations and carrier relations personnel who support our offerings. We report the cost of advertising as expense in the period in which costs are incurred.

EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Occasionally we participate in cooperative advertising programs with certain of our partners whereby they reimburse us for a portion of our advertising costs. The amounts our partners will reimburse us for advertising are typically determined at the beginning of each year and we are able to choose when to advertise and receive the related reimbursement throughout the year.

Advertising costs incurred have been classified as follows (in thousands):

	Year Ended December 31,		
	2007	2008	2009
Contra-commission revenue	$ 15	$ 13	$ 10
Cost of revenue-sharing	1,701	1,746	4,581
Marketing and advertising expense	24,141	36,025	44,686
Total advertising costs	$ 25,857	$ 37,784	$ 49,277

Costs associated with revenue-sharing of commissions with a health insurance carrier have been offset against commission revenue in the accompanying consolidated statements of income and comprehensive income, while costs associated with revenue-sharing of commissions with partners have been included in cost of revenue-sharing.

Customer Care and Enrollment—Customer care and enrollment expenses primarily consist of compensation and related expenses for personnel engaged in pre-sales assistance to applicants who call our customer care center and enrollment personnel who assist applicants during the underwriting process.

Technology and Content—Technology and content expenses consist primarily of compensation and related expenses for personnel associated with developing and enhancing our website technology as well as maintaining our website. A portion of our technology and content group is located at our wholly owned subsidiary in China, where technology development costs are generally lower than in the United States.

Research and Development—Research and development expenses consist primarily of compensation and related expenses incurred for enhancements to the functionality of our websites. Research and development costs, which totaled $4.1 million, $4.5 million and $5.2 million for the years ended December 31, 2007, 2008 and 2009, respectively, are included in technology and content expense in the accompanying consolidated statements of income and comprehensive income.

Internal-Use Software and Website Development Costs—We capitalize costs of materials, consultants and compensation and benefits costs of employees who devote time to the development of internal-use software; however, we usually expense as incurred website development costs for new features and functionalities because it is not probable that they will result in additional functionality until they are both developed and tested with confirmation that they are more effective than the current set of features and functionalities on our website. Our judgment is required in determining the point at which various projects enter the states at which costs may be capitalized, in assessing the ongoing value of the capitalized costs and in determining the estimated useful lives over which the costs are amortized, which is generally three years. To the extent that we change the manner in which we develop and test new features and functionalities related to our website, assess the ongoing value of capitalized assets or determine the estimated useful lives over which the costs are amortized, the amount of website development costs we capitalize and amortize in future periods would be impacted. Through December 31, 2009, the majority of our internal-use software and website development costs have been expensed as incurred.

General and Administrative—General and administrative expenses include compensation and benefits costs for staff working in our executive, finance, corporate development, investor relations, government relations, legal, human resources, internal audit, facilities and internal information technology departments. These expenses also include fees paid for outside professional services, mainly for audit, tax, legal and information technology consulting.

Stock-Based Compensation—We recognize stock-based compensation expense in the accompanying consolidated statements of income and comprehensive income based on the estimated fair value of our stock-based awards over their respective vesting periods, which is generally four years. The estimated grant date fair value of our stock-based awards is determined using the Black-Scholes-Merton pricing model and a single option award approach. The weighted-average expected term for stock options granted is calculated using the simplified method, as we do not have sufficient historical option exercise behavior on which to estimate expected terms. The simplified method defines the expected term as the average of the contractual term and the vesting period of the stock option. We have estimated the volatility used as an input to the model based on an analysis of our stock price since our initial public offering in October 2006, as well as an analysis of similar public companies for which we have data. We estimate our expected volatility using the weighted-average of: our implied volatility; our mean reversion volatility; and the mean reversion volatility of similar public companies for which we have data. We have used judgment in selecting these companies, as well as evaluating the available historical and implied volatility data for these companies. The dividend yield is determined by dividing the expected per share dividend during the coming year by the grant date stock price. Through December 31, 2009, we had not declared or paid any cash dividends, and we do not expect to pay any in the foreseeable future. We base the risk-free interest rate on the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equal to the expected term of our stock options. The assumptions used in calculating the fair value of stock-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. We will continue to use judgment in evaluating the expected term and volatility related to our own stock-based awards on a prospective basis, and incorporating these factors into the model. Changes in key assumptions will significantly impact the valuation of such instruments.

Income Taxes—We account for income taxes using the liability method. Deferred income taxes are determined based on the differences between the financial reporting and tax bases of assets and liabilities, using enacted statutory tax rates in effect for the year in which the differences are expected to reverse.

FASB ASC Topic 710 prescribes a recognition threshold and measurement approach for uncertain tax positions taken or expected to be taken in a company's income tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FASB ASC Topic 710 utilizes a two-step approach for evaluating uncertain tax positions. Step one, *Recognition*, requires a company to determine if the weight of available evidence indicates that a tax position is more likely than not to be sustained upon audit, including resolution of related appeals or litigation processes, if any. Step two, *Measurement*, is based on the largest amount of benefit, which is more likely than not to be realized on ultimate settlement.

On September 23, 2008, the state of California approved its budget for fiscal year ending June 30, 2009, which contained changes to the California tax law which substantially limited our ability to utilize available state net operating loss and tax credit carry forwards to reduce our state income taxes payable. Under the new tax law, the utilization of net operating loss carry forwards was suspended for tax years 2008 and 2009; however, the expiration date of the net operating loss carry forwards was extended for an equivalent two-year period. Additionally, for tax years 2008 and 2009, taxpayers may only utilize available tax credit carry forwards to reduce their current tax liability up to 50% of their net tax amount before application of such credits. The new

EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

law does not affect the amount of net operating loss or tax credit carry forwards that we expect to ultimately use to offset future California taxes; however, it did limit the amount of net operating loss and tax credit carry forwards that we were able to utilize to reduce our taxes payable during 2009, resulting in an increase in cash taxes paid to the state of California in 2008 and 2009.

We consider stock option deduction benefits in excess of book compensation charges realized when we obtain an incremental benefit determined by the "With and Without" calculation method. Under the "With and Without" approach, excess tax benefits related to share-based payments are not deemed to be realized until after the utilization of all other tax benefits available to us. For example, net operating loss and tax credit carry forwards from prior years are used to reduce taxes currently payable prior to deductions from stock option exercises for purposes of financial reporting, while for tax return purposes, current year stock compensation deductions are generally used before net operating loss carry forwards. Indirect effects of excess tax benefits, such as the effect on research and development tax credits, are not considered. Realized excess tax benefits are reflected in the financial statements.

Foreign Currency Translation—Our only foreign subsidiaries are located in Xiamen, China. The functional currency of our foreign subsidiaries is the local currency (the Chinese Yuan Renminbi) and their financial statements are translated into U.S. Dollars using month-end rates of exchange for assets and liabilities, and average rates of exchange for revenues, costs and expenses. Translation adjustments are reflected in accumulated other comprehensive income in the accompanying consolidated balance sheets, while gains and losses resulting from foreign currency transactions are included in interest and other income, net in the accompanying consolidated statements of income and comprehensive income. We did not recognize any material gains or losses resulting from foreign currency transactions during the years ended December 31, 2007, 2008 or 2009.

Comprehensive Income—All components of comprehensive income, including net income, are reported in our consolidated financial statements in the period in which they are recognized. Comprehensive income is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources (primarily foreign currency translation gains and losses and unrealized gains and losses on cash equivalents and marketable securities). Statements of comprehensive income have been included within the accompanying consolidated statements of income and comprehensive income.

Net Income Per Share—Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding for the period (excluding shares subject to repurchase). Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common and common equivalent shares outstanding during the period. Potentially dilutive securities, composed of incremental common shares issuable upon the exercise of stock options, are included in diluted net income per share to the extent such shares are dilutive.

Recently Issued Accounting Standards—In September 2006, the FASB issued guidance now codified as FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The pronouncement is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB released additional guidance now codified under FASB ASC Topic 820, which provides for delayed application of certain guidance related to non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008, and interim periods within those years. We adopted certain provisions of FASB ASC Topic 820 effective January 1, 2008 (see Note 3, *Fair Value*

Measurements, to our consolidated financial statements for additional information). Pursuant to the requirements of FASB ASC Topic 820, we adopted the provisions of FASB ASC Topic 820 with respect to our non-financial assets and non-financial liabilities during the first quarter of 2009. The implementation of this pronouncement did not have a material impact on our consolidated financial position, results of operations or cash flows.

Note 2—Balance Sheet Accounts

Cash and Cash Equivalents—As of December 31, 2008 and 2009, our cash equivalents consisted of money market accounts that invested in U.S. government-sponsored enterprise bonds and discount notes, U.S. government treasury bills and notes and repurchase agreements collateralized by U.S. government obligations. At December 31, 2008 and 2009, our cash equivalents carried no unrealized gains or losses and we did not realize any significant gains or losses on sales of cash equivalents during the years ended December 31, 2007, 2008 and 2009.

Marketable Securities—Marketable securities are comprised primarily of available-for-sale financial instruments with original maturities of more than 90 days from the date of purchase. Marketable securities that are available for use in current operations are classified as current assets in the accompanying consolidated balance sheets regardless of the remaining time to maturity. The cost, unrealized gains and losses, net of taxes, and estimated fair value of our marketable securities consisted of the following as of December 31, 2008 and 2009 (in thousands):

	Cost	Unrealized Gains	Unrealized Losses (1)	Estimated Fair Value
December 31, 2009				
U.S. government-sponsored enterprise bonds	$17,877	$ 15	$ (1)	$ 17,891
Corporate bonds	3,053	1	—	3,054
U.S. government-sponsored enterprise discount notes	1,221	18	—	1,239
Total marketable securities	$22,151	$ 34	$ (1)	$ 22,184
December 31, 2008				
U.S. government-sponsored enterprise bonds	$36,217	$ 293	$ —	$ 36,510
Corporate bonds	15,457	30	(136)	15,351
Commercial paper	2,141	4	—	2,145
U.S. government-sponsored enterprise discount notes	1,472	21	—	1,493
Certificates of deposit	1,000	—	—	1,000
Total marketable securities	$56,287	$ 348	$ (136)	$ 56,499

(1) No marketable security had been in a continuous unrealized loss position for more than twelve months as of December 31, 2008 or 2009.

We did not realize any significant gains or losses on sales of marketable securities during the years ended December 31, 2007, 2008 and 2009. The contractual maturities of our marketable securities as of December 31, 2009, were all due within one year.

EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

During the years ended December 31, 2007, 2008 and 2009, we recorded immaterial amounts of unrealized gains and losses on our investments in marketable securities. Unrealized gains and losses are the result of the change in fair value of our investments in marketable securities, specifically corporate bonds, at the beginning and end of the period and are excluded from earnings and reported as a component of stockholders' equity in the consolidated balance sheets and in comprehensive income on the consolidated statements of income and comprehensive income.

At December 31, 2009, we evaluated each of our unrealized losses, all of which are from U.S. government-sponsored enterprise bonds, and determined them to be temporary. Factors we considered in determining whether unrealized losses were temporary included the length of time and extent to which each investment's fair value has been less than its cost basis, the financial condition and near-term prospects of the investee, and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. Based upon our evaluation of these factors, and because we have the ability and intent to hold each of our investments with net unrealized losses until their respective maturity dates, we do not consider these investments to be other-than-temporarily impaired at December 31, 2009.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	As of December 31, 2008	As of December 31, 2009
Prepaid insurance	$ 462	$ 675
Prepaid maintenance contracts	320	380
HBDC initial consideration	—	369
Interest receivable	628	272
Other	464	628
Prepaid expenses and other current assets	$ 1,874	$ 2,324

Property and Equipment

Property and equipment consisted of the following (in thousands):

	As of December 31, 2008	As of December 31, 2009
Computer equipment and software	$ 7,746	$ 8,643
Office equipment and furniture	1,068	1,255
Leasehold improvements	725	779
	9,539	10,677
Less accumulated depreciation and amortization	(4,972)	(6,902)
Property and equipment, net	$ 4,567	$ 3,775

Other Current Liabilities

Other current liabilities consisted of the following (in thousands):

	As of December 31, 2008	As of December 31, 2009
Professional fees	$ 1,025	$ 1,253
Income taxes payable	905	—
Payable to carriers—allowance for forfeitures	477	1,140
Other accrued expenses	300	284
Other current liabilities	$ 2,707	$ 2,677

Note 3—Fair Value Measurements

We define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques we use to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. We classify the inputs used to measure fair value into the following hierarchy:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Unadjusted quoted prices in active markets for similar assets or liabilities, or
	Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or
	Inputs other than quoted prices that are observable for the asset or liability
Level 3	Unobservable inputs for the asset or liability

The following table presents information about our financial assets (cash equivalents and marketable securities) that are re-measured and reported at fair value on a recurring basis as of December 31, 2009, and indicates the fair value hierarchy of the valuation techniques we utilized to determine such fair value (in thousands):

	As of December 31, 2009		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Cash equivalents:			
Money market funds	$ 124,254	$ —	$124,254
Marketable securities:			
U.S. government-sponsored enterprise bonds	—	17,891	17,891
Corporate bonds	—	3,054	3,054
U.S. government-sponsored enterprise discount notes	—	1,239	1,239
	—	22,184	22,184
Total cash equivalents and marketable securities	$ 124,254	$ 22,184	$146,438

We endeavor to utilize the best available information in measuring fair value. We used observable prices in active markets in determining the classification of our money market funds as Level 1. For our other cash equivalents and marketable securities classified as Level 2, we primarily relied on observable quotes in active markets; however if we concluded the market was non-active, we relied on independent market pricing data. We did not hold any financial assets as of December 31, 2009 whereby the fair value measurements were estimated using significant unobservable inputs (Level 3).

Note 4—Stockholders' Equity and Stock-Based Compensation

Stockholders' Equity

Preferred Stock—Our board of directors has the authority, without any further action by our stockholders, to issue up to 110,000,000 shares, par value $0.001 per share, of which 10,000,000 shares are designated as preferred stock. As of December 31, 2007, 2008 and 2009, there were no shares of preferred stock outstanding.

Common Stock—On all matters submitted to our stockholders for vote, our common stockholders are entitled to one vote per share, voting together as a single class, and do not have cumulative voting rights. Accordingly, the holders of a majority of the shares of common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they so choose. Subject to preferences that may apply to any shares of preferred stock outstanding, the holders of common stock are entitled to share equally in any dividends, when and if declared by our board of directors. Upon our liquidation, dissolution or winding-up, the holders of common stock are entitled to share equally in all assets remaining after the payment of any liabilities and the liquidation preferences on any outstanding preferred stock. Holders of common stock have no preemptive or conversion rights or other subscription rights and there are no redemption or sinking funds provisions applicable to the common stock. As of December 31, 2008 and 2009, there were 25,040,935 shares and 23,416,730 shares of common stock outstanding, respectively.

Shares Reserved—We issue common stock upon the exercise of stock options, the vesting of restricted stock units and upon granting of restricted common stock awards. Shares of authorized but unissued common stock reserved for future issuance were as follows (in thousands):

	As of December 31,	
	2008	2009
Common stock:		
Stock options issued and outstanding	2,725	2,899
Restricted stock units issued and outstanding	231	383
Stock options and awards available for future grants	2,714	3,181
	5,670	6,463

Stock Plans—Our 2006 Equity Incentive Plan (the "2006 Plan") became effective in October 2006. As of December 31, 2009, we had 3,180,800 shares of our common stock available for future grants under the 2006 Plan. In general, if options or shares awarded under the 2006 Plan are forfeited or repurchased, those options or shares will again become available for grant under the 2006 Plan. In addition, on January 1 of each year, the number of shares available for future grant under the 2006 Plan will automatically increase by the lowest of (a) 1,500,000 shares, (b) 4% of the total number of shares of our common stock then outstanding or (c) a lower number determined by our board of directors or its compensation committee. As of January 1, 2007, 2008, 2009 and 2010, shares reserved under the 2006 Plan automatically increased by 869,957 shares, 987,473 shares, 1,001,637 shares and 936,669 shares, respectively, which equaled 4% of the total number of shares of our common stock then outstanding. Employees, non-employee members of our board of directors and consultants of our company are eligible to participate in our 2006 Plan. The 2006 Plan requires that the exercise price of stock options and stock appreciation rights awarded shall in no event be less than 100% of the fair market value of a share of common stock on the date of grant.

EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

We also maintain the 1998 Stock Plan and the 2005 Stock Plan, under which we previously granted options to purchase shares of our common stock and restricted common stock. The 1998 and 2005 Stock Plans were terminated with respect to the grant of additional awards upon the effective date of the registration statement related to our initial public offering in October 2006, although we will continue to issue new shares of common stock upon the exercise of stock options previously granted under the 1998 and 2005 Stock Plans.

Our stock options and restricted stock awards granted under the 2006 Plan and the 1998 and 2005 Stock Plans (collectively, the "Stock Plans") generally vest over four years at a rate of 25% after one year and 1/48th per month thereafter. Our stock options granted prior to December 31, 2007 generally expire after ten years from the date of grant. Stock options granted subsequent to December 31, 2007 generally expire after seven years from the date of grant. As of December 31, 2009, no shares were subject to repurchase. Our restricted stock unit awards granted under the 2006 Plan generally vest over four years at a rate of 25% after one year and 25% annually thereafter.

The following table summarizes option activity under the Stock Plans (in thousands, except per share amounts and weighted average remaining contractual life data):

	Shares Available for Grant (1)	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (2)
Balance at December 31, 2006	1,844	5,436	$ 3.85		
Reduction in number of authorized shares (3)	(131)	—	—		
Additional shares authorized (4)	870	—	—		
Restricted stock units granted	(11)	—	—		
Options granted	(296)	296	$ 25.66		
Options exercised	—	(2,931)	$ 2.34		
Options cancelled	175	(175)	$ 12.06		
Restricted stock units and awards cancelled	13	—	—		
Balance at December 31, 2007	2,464	2,626	$ 7.44	6.41	$ 64,787
Reduction in number of authorized shares (3)	(28)	—	—		
Additional shares authorized (4)	987	—	—		
Restricted stock units granted	(224)	—	—		
Options granted	(683)	683	$ 19.39		
Options exercised	—	(397)	$ 4.05		
Options cancelled	187	(187)	$ 23.17		
Restricted stock units and awards cancelled	11	—	—		
Balance at December 31, 2008	2,714	2,725	$ 9.85	5.91	$ 15,878
Additional shares authorized (4)	1,002	—			
Restricted stock units granted	(215)	—			
Options granted	(407)	407	$ 15.89		
Options exercised	—	(159)	$ 6.49		
Options cancelled	74	(74)	$ 22.49		
Restricted stock units and awards cancelled	13	—			
Balance at December 31, 2009	3,181	2,899	$ 10.56	5.16	$ 20,895
Vested and expected to vest at December 31, 2009		2,848	$ 10.45	5.14	$ 20,827
Exercisable at December 31, 2009		1,998	$ 7.76	4.64	$ 19,496

(1) Shares available for grant exclude treasury stock of 54,454 shares and 1,894,355 shares at December 31, 2008 and 2009, respectively, that could be granted if eHealth determined to do so.

EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(2) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying stock options and the fair value of our common stock at December 31, 2007, 2008 and 2009.

(3) The 1998 and 2005 Stock Plans were terminated with respect to the grant of additional shares upon the effective date of the registration statement related to our initial public offering in October 2006, resulting in reductions in the total number of shares authorized for issuance.

(4) On January 1, 2007, 2008 and 2009, the number of shares authorized for issuance under the 2006 Plan was automatically increased pursuant to the terms of the 2006 Plan by 869,957 shares, 987,473 shares and 1,001,637 shares, respectively.

Total intrinsic value of stock options exercised during the years ended December 31, 2007, 2008 and 2009 was $62.0 million, $7.9 million and $1.4 million, respectively.

The following table presents total unrecognized stock-based compensation expense as of December 31, 2009 related to stock options and restricted stock units granted to employees under our stock plans (in thousands):

As of December 31, 2009	Stock Options	Restricted Stock Units	Total
Unrecognized stock-based compensation expense	$6,624	$ 5,394	$12,018
Estimated forfeitures	(565)	(499)	(1,064)
Unrecognized stock-based compensation expense, net of estimated forfeitures	$6,059	$ 4,895	$10,954

Unrecognized stock-based compensation expense, net of estimated forfeitures, was $11.0 million as of December 31, 2009 and will be amortized on a straight-line basis over the remaining weighted average vesting term of the underlying equity awards which was approximately 2.6 years as of December 31, 2009. Unrecognized stock-based compensation will be adjusted for subsequent changes in estimated forfeitures.

The fair value of stock options granted to employees for the years ended December 31, 2007, 2008 and 2009 was estimated using the following weighted average assumptions:

	Year Ended December 31,		
	2007	2008	2009
Expected term	6.1 years	4.8 years	4.6 years
Expected volatility	58.2%	55.7%	59.8%
Expected dividend yield	0%	0%	0%
Risk-free interest rate	4.47%	3.04%	1.64%
Weighted average grant-date fair value	$ 15.06	$ 9.55	$ 7.93

EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes information about stock options outstanding as of December 31, 2009 (in thousands, except per share amounts and weighted average remaining contractual life data):

	Outstanding and Exercisable		Vested	
Exercise Price	Number of Shares of Common Stock Subject to Options	Weighted Average Remaining Contractual Life (in years)	Number of Shares of Common Stock Subject to Options	Weighted Average Exercise Price
$1.00	17	1.24	17	$ 1.00
$2.00	1,060	3.37	1,060	$ 2.00
$4.00 - $12.45	642	5.93	465	$ 8.73
$12.78 - $19.05	594	6.62	130	$ 14.11
$19.25 - $31.08	586	6.20	326	$ 22.94
$1.00 - $31.08	2,899	5.16	1,998	$ 7.76

The fair value of the restricted stock units is based on eHealth's stock price on the date of grant, and compensation expense is recognized on a straight-line basis over the vesting period. The following table summarizes restricted stock unit activity under the Stock Plans (in thousands, except weighted average remaining contractual life data):

	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (1)
Balance as of December 31, 2006	33		
Granted	12		
Vested	(9)		
Cancelled	(13)		
Balance as of December 31, 2007	23	1.32	$ 727
Granted	228		
Vested	(12)		
Cancelled	(8)		
Balance as of December 31, 2008	231	1.73	$ 3,070
Granted	215		
Vested	(60)		
Cancelled	(3)		
Balance as of December 31, 2009	383	1.47	$ 6,289
Expected to vest at December 31, 2009	356	1.41	$ 5,842

(1) The aggregate intrinsic value is calculated as the fair value of the underlying common stock outstanding and vested and expected to vest as of December 31, 2007, 2008 and 2009.

Stock Repurchase Program

On November 12, 2008, we announced that our board of directors authorized a stock repurchase program, pursuant to which up to 2,507,950 shares could be repurchased, for a total cost not to exceed $30 million. Share repurchases under this program complied with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The stock repurchase program was completed in September 2009 when a cumulative balance of approximately $30 million of common stock, including commissions, had been repurchased. For accounting purposes, common stock repurchased under the program was recorded based upon the settlement date of the applicable trade. Repurchased shares are held in treasury and are accounted for using the cost method. The stock repurchase activity under the stock repurchase program during the year ended December 31, 2009 is summarized as follows (in thousands, except share and per share amounts):

Year Ended December 31, 2009	Total Number of Shares Purchased	Average Price Paid per Share (1)	Amount of Repurchase
Cumulative balance at December 31, 2008	50,657	$ 12.61	$ 639
Repurchases of common stock	1,827,193	$ 16.07	29,360
Cumulative balance at December 31, 2009	1,877,850	$ 15.97	$ 29,999

(1) Average price paid per share includes commissions

As of December 31, 2009, all stock repurchases under the stock repurchase program were made on the open market. In addition to the 1,877,850 shares repurchased under our stock repurchase program as of December 31, 2009, we have in treasury 16,505 shares that were surrendered by employees to satisfy tax withholdings due in connection with the vesting of certain restricted stock units. As of December 31, 2008 and 2009, we had a total of 54,454 shares and 1,894,355 shares, respectively, held in treasury.

Stock-Based Compensation

The following table summarizes stock-based compensation expense recorded during the years ended December 31, 2007, 2008 and 2009 (in thousands):

	Year Ended December 31,		
	2007	2008	2009
Awards granted to employees accounted for in accordance with SFAS 123R:			
Common stock options	$ 1,100	$ 2,481	$ 3,055
Restricted stock units	268	931	1,756
Restricted common stock	20	13	4
	1,388	3,425	4,815
Awards granted to employees accounted for in accordance with APB 25:			
Common stock options	17	—	—
Restricted common stock	101	69	20
	118	69	20
Total stock-based compensation expense	$ 1,506	$ 3,494	$ 4,835

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The following table summarizes stock-based compensation expense by operating function included in the consolidated statements of income and comprehensive income for the years ended December 31, 2007, 2008 and 2009 (in thousands):

	Year Ended December 31,		
	2007	2008	2009
Marketing and advertising	$ 218	$ 644	$ 803
Customer care and enrollment	138	266	325
Technology and content	611	898	1,194
General and administrative	539	1,686	2,513
Total stock-based compensation expense	$ 1,506	$ 3,494	$ 4,835

Note 5—401(k) Plan

In September 1998, our board of directors adopted a defined contribution retirement plan (401(k) Plan), which qualifies under Section 401(k) of the Internal Revenue Code of 1986. Participation in the 401(k) Plan is available to substantially all employees in the United States. Employees can contribute up to 25% of their salary, up to the federal maximum allowable limit, on a before-tax basis to the 401(k) Plan. Employee contributions are fully vested when contributed. Company contributions to the 401(k) Plan are discretionary and are expensed when incurred. In April 2006, we began matching employee contributions to our 401(k) Plan at 25% of an employee's contribution each pay period, up to a maximum of 1% of the employee's salary during such pay period. Our matching contributions are expensed as incurred and vest one-third for each of the first three years of the recipient's service. The recipient is fully vested in all 401(k) Plan matching contributions after three years of service.

Note 6—Income Taxes

The components of our income before income taxes were as follows (in thousands):

	Year Ended December 31,		
	2007	2008	2009
United States	$21,259	$25,318	$27,262
Foreign	44	(344)	(484)
Total	$21,303	$24,974	$26,778

The provision (benefit) for income taxes consisted of the following (in thousands):

	Year Ended December 31,		
	2007	2008	2009
Current:			
Federal	$ 53	$ 367	$ 6,732
State	2	1,557	2,746
Foreign	3	—	—
Total current	58	1,924	9,478
Deferred:			
Federal	(9,008)	8,178	2,634
State	(1,342)	704	(681)
Total deferred	(10,350)	8,882	1,953
Provision (benefit) for income taxes	$(10,292)	$10,806	$11,431

EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table provides a reconciliation of the federal statutory income tax rate to our effective tax rate for the years ended December 31, 2007, 2008 and 2009:

	Year Ended December 31,		
	2007	2008	2009
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes	5.2	6.7	5.0
Foreign income and withholding taxes	—	0.5	0.6
Research and development tax credit carry forwards	(0.8)	(0.2)	(0.2)
Stock-based compensation	0.2	0.7	0.6
Utilization of previously unbenefited operating losses	(88.9)	—	—
Other	1.0	0.6	1.7
Effective tax rate	(48.3)%	43.3%	42.7%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, together with net operating loss and tax credit carry forwards. Significant components of our deferred tax assets were as follows (in thousands):

	As of December 31,	
	2008	2009
Deferred tax assets:		
Federal and state net operating loss carry forwards	$ 5,040	$ 1,083
Federal and state tax credit carry forwards	1,314	712
Stock-based compensation	1,298	2,356
Accruals and reserves	712	1,423
Other	633	1,602
Gross deferred tax assets	8,997	7,176
Valuation allowance	(103)	(248)
Total deferred tax assets	8,894	6,928
Deferred tax liabilities—depreciation and amortization	—	—
Total net deferred tax assets	$ 8,894	$ 6,928

Assessing the realizability of our deferred tax assets is dependent upon several factors, including the likelihood and amount, if any, of future taxable income in relevant jurisdictions during the periods in which those temporary differences become deductible. We forecast taxable income by considering all available positive and negative evidence, including our history of operating income and losses and our financial plans and estimates that we use to manage the business. These assumptions require significant judgment about future taxable income. As a result, the amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income change.

Historically, we had provided a valuation allowance against the net deferred tax assets to reflect these uncertainties. At the end of 2007, we developed expectations of future taxable income and other relevant factors sufficiently in the future to conclude that it was more likely than not that we would realize sufficient earnings to utilize all of our deferred tax assets. Accordingly, we reversed our $18.9 million valuation allowance against deferred tax assets in the fourth quarter of 2007. Our effective tax rate in 2007 differed from the statutory federal tax rate primarily due to the releases of our valuation allowance against deferred tax assets in that year. The net valuation allowance decreased by $18.9 million during the year ended December 31, 2007, and increased $0.1 million in each of the years ended December 31, 2008 and 2009.

Our effective tax rate in 2009 was higher than statutory federal and state tax rates primarily due to non-deductible lobbying expenses and tax shortfalls related to share-based payments, partially offset by an income tax adjustment related to an increase in our deferred income tax assets resulting from a reduction in estimated limitations on both our federal and California net operating loss carry forwards. Our effective tax rate in 2008 was higher than statutory federal and state tax rates primarily due to tax shortfalls related to share-based payments, as well as penalties and interest associated with our unrecognized tax benefits.

Our federal net operating losses and tax credit carry forwards were available without annual limitations as of December 31, 2009. For tax return purposes, we had net operating loss carry forwards at December 31, 2009 of approximately $45.6 million and $69.9 million for federal income tax and state income tax purposes, respectively. Included in these amounts are unrealized federal and state net operating loss deductions resulting from stock option exercises of approximately $45.6 million and $55.4 million, respectively. The benefit of these unrealized stock option-related deductions has not been included in the deferred tax assets table above and will be recognized as a credit to additional paid-in capital when realized. Federal and state net operating loss carry forwards begin expiring in 2022 and 2014, respectively.

During the year ended December 31, 2009, due to the restriction on our ability to utilize net operating loss carry forwards to reduce taxes currently payable in California, we utilized excess tax benefits related to share-based payments and other unrecognized tax benefits, which resulted in a $5.0 million increase in additional paid-in capital and a $2.4 million increase in other non-current liabilities, respectively, in the consolidated balance sheet as of December 31, 2009. During the year ended December 31, 2008, due to the restriction on our ability to utilize net operating loss carry forwards to reduce taxes currently payable in California, we utilized excess tax benefits related to share-based payments and other unrecognized tax benefits, which resulted in a $0.3 million increase in additional paid-in capital and a $0.4 million increase in other non-current liabilities, respectively, in the consolidated balance sheet as of December 31, 2008.

At December 31, 2009, we had tax credit carry forwards of approximately $3.2 million and $0.5 million for federal income tax and state income tax purposes, respectively. Federal tax credit carry forwards begin expiring in 2020 and state tax credits carry forward indefinitely. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	Unrecognized Tax Benefits
Balance at December 31, 2007	$ 2,427
Additions based on tax positions related to the current year	256
Additions based on tax positions related to the prior year	76
Settlements	—
Balance at December 31, 2008	2,759
Decreases based on tax positions related to the prior year	(26)
Additions based on tax positions related to the prior year	277
Settlements	—
Balance at December 31, 2009	$ 3,010

As of December 31, 2008 and 2009, there were $2.2 million and $2.4 million, respectively, of unrecognized tax benefits, that, if recognized, would impact the effective tax rate. Due to net operating losses, all tax years after 1998 are open to examination and adjustment.

EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

We have elected to record interest and penalties related to uncertain tax positions as income tax expense in the consolidated financial statements. All tax years after 1998 are open to examination and adjustment due to our net operating losses.

We consider the foreign earnings of our China subsidiary to be indefinitely reinvested outside the United States. Our China subsidiary has incurred cumulative net losses since inception. Accordingly, we have not provided U.S. taxes on the cumulative foreign earnings of our China subsidiary.

Note 7—Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted-average number of common shares outstanding for the fiscal period. Diluted net income per share is computed giving effect to all potential dilutive common stock, including options, restricted stock and restricted stock units. The dilutive effect of outstanding awards is reflected in diluted earnings per share by application of the treasury stock method.

The following table sets forth the computation of basic and diluted net income per share (in thousands, except per share amounts):

	Year Ended December 31,		
	2007	2008	2009
Basic:			
Numerator:			
Net income allocated to common stock	$31,595	$14,168	$15,347
Denominator:			
Weighted average number of common stock shares	23,092	24,964	25,130
Weighted average number of common stock shares held in treasury	—	(1)	(821)
Net weighted average common stock shares outstanding	23,092	24,963	24,309
Net income per share—basic:	$ 1.37	$ 0.57	$ 0.63
Diluted:			
Numerator:			
Net income allocated to common stock	$31,595	$14,168	$15,347
Denominator:			
Weighted average number of common stock shares	23,092	24,963	24,309
Weighted average number of options	2,690	977	838
Weighted average number of restricted stock and restricted stock units	15	14	54
Total common stock shares used in per share calculation	25,797	25,954	25,201
Net income per share—diluted:	$ 1.22	$ 0.55	$ 0.61

For each of the years ended December 31, 2007, 2008 and 2009, we had securities outstanding that could potentially dilute earnings per share, but the shares from the assumed conversion or exercise of these securities were excluded in the computation of diluted net income per share as their effect would have been anti-dilutive.

EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The number of outstanding weighted average anti-dilutive shares that were excluded from the computation of diluted net income per share consisted of the following (in thousands):

	Year Ended December 31,		
	2007	2008	2009
Common stock options	209	673	1,122
Restricted stock units	—	9	6
Total	209	682	1,128

Note 8—Commitments and Contingencies

Leases—We lease certain of our office and operating facilities and certain furniture and fixtures under various operating leases, the latest of which expires in October 2014. In addition, we lease office equipment under operating leases that range in original terms from two to over five years, the latest of which expires in July 2012. Certain of these leases have free or escalating rent payment provisions. We recognize rent expense on our operating leases on a straight-line basis over the terms of the leases, although actual cash payment obligations under certain of these agreements fluctuate over the terms of the agreements. Total rent expense under all operating leases was approximately $2.4 million, $3.3 million and $3.4 million for the years ended December 31, 2007, 2008 and 2009, respectively.

Future minimum lease payments under non-cancellable operating leases at December 31, 2009 were as follows (in thousands):

Years Ending December 31,	Operating Lease Obligations
2010	$ 2,919
2011	2,454
2012	2,036
2013	239
2014	206
Total minimum lease payments	$ 7,854

Service and Licensing Agreements—We have entered into service and licensing agreements with third-party vendors to provide various services, including website development, website hosting, network access, data center services and software licensing. The terms of these services and licensing agreements are generally up to three years, the latest of which expires in November 2011. We record the related service and licensing expenses on a straight-line basis, although actual cash payment obligations under certain of these agreements fluctuate over the terms of the agreements.

As of December 31, 2009, future cash payment commitments for services provided in connection with these agreements were as follows (in thousands):

Years Ending December 31,	Service And Licensing Obligations
2010	$ 462
2011	260
Total	$ 722

Capital Lease— In December 2008 we entered into a capital lease agreement for office equipment which expires in April 2012. As of December 31, 2009, future cash payment commitments related to this lease were as follows (in thousands):

Years Ending December 31,	Capital Lease Obligations
2010	$ 57
2011	57
2012	14
Total minimum lease payments	128
Less amount representing interest	(25)
Present value of net minimum lease payments	103
Current portion	(42)
Non-current portion	$ 61

Legal Proceedings—In the ordinary course of our business, we have received and may continue to receive inquiries from state regulators relating to various matters. We have become, and may in the future become, involved in litigation in the ordinary course of our business. If we are found to have violated laws or regulations in any of the states, we could be subject to various fines and penalties, including revocation of our license to sell insurance in those states, and our business and financial results would be harmed. We would also be harmed to the extent that related publicity damages our reputation as a trusted source of objective information relating to health insurance and its affordability. It could also be costly to defend ourselves regardless of the outcome.

Guarantees and Indemnifications—We have agreed to indemnify members of our board of directors and our executive officers for fees, expenses, judgments, fines and settlement amounts incurred in any action or proceeding, including actions or proceedings by or in the right of the Company, to which any of them is, or is threatened to be, made a party by reason of their service as a director or officer of the Company or service provided to another company or enterprise at our request. The term of the director and officer indemnification is perpetual as to events or occurrences that take place while the director or officer is, or was, serving at our request. As such, the maximum potential amount of future payment we could be required to make under these indemnification arrangements is unlimited. We, however, maintain directors and officers insurance coverage that limits our exposure under certain circumstances and that may allow us to recover a portion of future amounts paid. We believe the estimated fair value of these indemnification agreements is minimal. Accordingly, we have not recorded any liabilities for these agreements as of December 31, 2008 or 2009.

While we have made various guarantees included in contracts in the normal course of business, primarily in the form of indemnity obligations under certain circumstances, these guarantees do not represent significant commitments or contingent liabilities of the indebtedness of others. Accordingly, we have not recorded a liability related to these indemnification provisions.

Note 9—Segment and Geographic Information

Operating Segments—Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance of the Company. Our chief operating decision maker is considered to be our chief executive officer. Our chief executive officer reviews our

EHEALTH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

financial information presented on a consolidated basis in a manner substantially similar to the accompanying consolidated financial statements. Therefore, we have concluded that we operate in one segment, and accordingly we have provided only the required enterprise-wide disclosures.

Geographic Information—Substantially all revenue for all years presented was generated from customers located in the United States. As of December 31, 2008 and 2009, our long-lived assets consisted primarily of property and equipment and indefinite-lived intangible assets. Our long-lived assets are attributed to the geographic location in which they are located. Long-lived assets by geographical area were as follows (in thousands):

	As of December 31, 2008	As of December 31, 2009
United States	$ 4,703	$ 4,101
China	644	537
Total	$ 5,347	$ 4,638

Note 10—Selected Quarterly Financial Data (Unaudited)

Selected summarized quarterly financial information for 2009 and 2008 is as follows (in thousands, except per share amounts):

2009	1ST Quarter	2ND Quarter	3RD Quarter	4TH Quarter	Year
Revenue	$ 31,917	$ 33,439	$ 35,123	$ 34,411	$134,890
Income from operations	5,589	6,870	6,491	6,890	25,840
Net income	3,143	3,994	3,452	4,758	15,347
Net income per share:					
Basic	$ 0.13	$ 0.16	$ 0.14	$ 0.20	$ 0.63
Diluted	$ 0.12	$ 0.16	$ 0.14	$ 0.20	$ 0.61

2008	1ST Quarter	2ND Quarter	3RD Quarter	4TH Quarter	Year
Revenue	$ 26,280	$ 27,501	$ 28,475	$ 29,455	$ 111,711
Income from operations	4,725	6,396	4,486	5,653	21,260
Net income	3,297	4,201	3,021	3,649	14,168
Net income per share:					
Basic	$ 0.13	$ 0.17	$ 0.12	$ 0.15	$ 0.57
Diluted	$ 0.13	$ 0.16	$ 0.12	$ 0.14	$ 0.55

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Our Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Annual Report on Form 10-K.

Based on management's evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report in Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2009 based on the guidelines established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Based on the results of our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2009. We reviewed the results of management's assessment with our Audit Committee.

Ernst & Young LLP, an independent registered public accounting firm, has issued a report on internal control over financial reporting, which is presented below.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our chief executive officer and chief financial officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
eHealth, Inc.

We have audited eHealth, Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). eHealth, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, eHealth, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of eHealth, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009 of eHealth, Inc. and our report dated March 5, 2010 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Palo Alto, California
March 5, 2010

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information concerning our directors, executive officers, compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, and corporate governance required by this Item 10 of Form 10-K is incorporated by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after the Company's fiscal year ended December 31, 2009.

We have adopted a code of ethics that applies to all employees, including our principal executive officer, Gary Lauer, principal financial and accounting officer, Stuart Huizinga, and all other executive officers. The code of ethics is available on the investor relations/corporate governance page of our website at *www.ehealthinsurance.com*. A copy may also be obtained without charge by contacting investor relations, attention Director of Investor Relations, 440 East Middlefield Road, Mountain View, CA 94043 or by calling (650) 210-3111.

We plan to post on our website at the address described above any future amendments or waivers of our Code of Conduct.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 of Form 10-K is incorporated herein by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after the Company's fiscal year ended December 31, 2009.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

As of December 31, 2009, two of our executive officers are parties to individual Rule 10b5-1 trading plans pursuant to which shares of our common stock will be sold for their account from time to time in accordance with the provisions of the plans without any further action or involvement by the officers.

Additional information required by Item 12 of Form 10-K is incorporated herein by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after the Company's fiscal year ended December 31, 2009.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 of Form 10-K is incorporated herein by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after the Company's fiscal year ended December 31, 2009.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 of Form 10-K is incorporated herein by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after the Company's fiscal year ended December 31, 2009.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) We have filed the following documents as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements

Information in response to this Item is included in Item 8 of Part II of this Annual Report on Form 10-K.

2. Financial Statement Schedules

None.

3. Exhibits

See Item 15(b) below.

(b) ***Exhibits***—We have filed, or incorporated into this Annual Report on Form 10-K by reference, the exhibits listed on the accompanying Index to Exhibits of this Annual Report on Form 10-K.

(c) ***Financial Statement Schedule***—See Item 15(a) above.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

March 5, 2010

eHealth, Inc.

/S/ GARY L. LAUER	/S/ STUART M. HUIZINGA
Gary L. Lauer *Chief Executive Officer and* *Chairman of the Board of Directors*	Stuart M. Huizinga *Chief Financial Officer* *(Principal Financial and Accounting Officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 5th day of March, 2010.

Signature	Title
/S/ STEVEN M. CAKEBREAD **Steven M. Cakebread**	Director
/S/ SCOTT N. FLANDERS **Scott N. Flanders**	Director
/S/ MICHAEL D. GOLDBERG **Michael D. Goldberg**	Director
/S/ LAWRENCE M. HIGBY **Lawrence M. Higby**	Director
/S/ RANDALL S. LIVINGSTON **Randall S. Livingston**	Director
/S/ JACK L. OLIVER III **Jack L. Oliver III**	Director

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EXHIBIT INDEX

Exhibit Number	Description of Exhibit	Incorporation by Reference Herein Form	Date
3.1	Amended and Restated Certificate of Incorporation of the Registrant	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
3.2	Amended and Restated Bylaws of the Registrant	Current Report on Form 8-K (File No. 001-33071)	November 17, 2008
4.1	Form of the Registrant's Common Stock Certificate	Registration Statement on Form S-l, as amended (File No. 333-133526)	June 28, 2006
10.1	Form of Indemnification Agreement entered into between the Registrant and its directors and officers	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.2*	1998 Stock Plan of the Registrant	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.3	2004 Stock Plan for eHealth China	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.4*	2005 Stock Plan of the Registrant	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.5*	2006 Equity Incentive Plan of the Registrant, as amended and restated November 11, 2008	Annual Report on Form 10-K (File No. 001-33071)	March 13, 2009
10.5.1*	Form of Notice of Stock Option Grant and Stock Option Agreement under the 2006 Equity Incentive Plan of the Registrant	Annual Report on Form 10-K (File No. 001-33071)	March 21, 2007
10.5.2*	Form of Notice of Stock Option Grant and Stock Option Agreement (Initial Director Grant) under the 2006 Equity Incentive Plan of the Registrant	Annual Report on Form 10-K (File No. 001-33071)	March 21, 2007
10.5.3*	Form of Notice of Stock Option Grant and Stock Option Agreement (Annual Director Grant) under the 2006 Equity Incentive Plan of the Registrant	Annual Report on Form 10-K (File No. 001-33071)	March 21, 2007
10.5.4*	Form of Notice of Stock Unit Grant and Stock Unit Agreement under the 2006 Equity Incentive Plan of the Registrant	Annual Report on Form 10-K (File No. 001-33071)	March 21, 2007
10.5.5*	Form of Notice of Initial Outside Director Stock Unit Grant Under the 2006 Equity Incentive Plan of the Registrant	Annual Report on Form 10-K (File No. 001-33071)	March 13, 2009
10.5.6*	Form of Notice of Annual Outside Director Stock Unit Grant Under the 2006 Equity Incentive Plan of the Registrant	Annual Report on Form 10-K (File No. 001-33071)	March 13, 2009
10.5.7*	Form of Outside Director Stock Unit Agreement	Annual Report on Form 10-K (File No. 001-33071)	March 13, 2009

Exhibit Number		Description of Exhibit	Incorporation by Reference Herein: Form	Date
10.9*		Employment Agreement, dated November 30, 1999, between Gary Lauer and eHealthInsurance Services, Inc.	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.9.1*		Letter Amendment, dated November 2007, amending Offer Letter dated November 30, 1999, between Gary Lauer and eHealthInsurance Services, Inc.	Quarterly Report on Form 10-Q (File No. 001-33071)	November 14, 2007
10.9.2*		Second Amendment to Offer Letter, dated December 27, 2008, amending Offer Letter dated November 30, 1999, as amended, between Gary Lauer and eHealthInsurance Services, Inc.	Annual Report on Form 10-K (File No. 001-33071)	March 13, 2009
10.9.3*		Management Retention Agreement, effective as of March 24, 2009, between eHealth, Inc. and Gary L. Lauer	Quarterly Report on Form 10-Q (File No. 001-33071)	May 11, 2009
10.10*		Employment Agreement, dated May 4, 2000, between Stuart Huizinga and eHealthInsurance Services, Inc., as amended on August 22, 2000	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.11*		Supplemental Employment Agreement, dated August 24, 2000, between Sheldon Wang and eHealthInsurance Services, Inc.	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.11.1*	†	Management Retention Agreement, dated January 14, 2010, between Sheldon Wang and eHealth, Inc.		
10.12*		Supplemental Employment Agreement, dated August 7, 2000, between Bruce Telkamp and eHealthInsurance Services, Inc.	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.12.1*		Letter Amendment, dated September 2007, amending Offer Letter dated April 6, 2000 and Offer Letter Supplement dated August 7, 2000, between Bruce Telkamp and eHealthInsurance Services, Inc.	Quarterly Report on Form 10-Q (File No. 001-33071)	November 14, 2007
10.12.2*		Second Amendment to Offer Letter and Offer Letter Supplement, effective December 29, 2008, amending Offer Letter dated April 6, 2000, as amended, between Bruce Telkamp and eHealthInsurance Services, Inc.	Annual Report on Form 10-K (File No. 001-33071)	March 13, 2009
10.12.3*	†	Management Retention Agreement, dated January 14, 2010, between Bruce Telkamp and eHealth, Inc.		

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Exhibit Number	Description of Exhibit	Incorporation by Reference Herein	
		Form	Date
10.13*	Letter Agreement, dated November 17, 2005, between Jack L. Oliver III and the Registrant	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.14	Lease Agreement, dated May 2004, between eHealthInsurance Services, Inc. and Brian Avery, Trustee of the 1983 Avery Investments Trust, as amended	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.14.1	First Amendment to Lease Agreement, effective as of May 15, 2009, between eHealthInsurance Services, Inc. and Brian Avery, Trustee of the 1983 Avery Investments Trust	Current Report on Form 8-K (File No. 001-33071)	May 21, 2009
10.15	Standard Lease Agreement, dated June 10, 2004, between eHealthInsurance Services, Inc. and Gold Pointe E LLC, as amended	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.15.1	Fourth Amendment to Standard Lease Agreement (Office), effective as of November 6, 2007, between eHealthInsurance Services, Inc. and Carlsen Investments, LLC	Current Report on Form 8-K (File No. 001-33071)	November 7, 2007
10.16	Office Lease Contract, dated March 31, 2006, among Xiamen Torch Hi-tech Industrial Development Zone Finance Services Center, Xiamen Software Industry Investment & Development Co., Ltd. and eHealth China (Xiamen) Technology Co., Ltd.; Appendix 1 to Office Lease Contract; and Property Management Service Contract, dated April 4, 2006, between Xiamen Software Industry Investment & Development Co., Ltd. and eHealth China (Xiamen) Technology Co., Ltd.	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
10.16.1	Appendix 3 to Office Lease Contract, dated November 25, 2007, among Xiamen Torch Hi-tech Industrial Development Zone Finance Services Center, Xiamen Software Industry Investment & Development Co., Ltd. and eHealth China (Xiamen) Technology Co., Ltd.	Annual Report on Form 10-K (File No. 001-33071)	March 17, 2008
10.16.2	Amendment Two to Property Management Service Contract, effective January 16, 2008, between Xiamen Software Industry Investment & Development Co., Ltd. and eHealth China (Xiamen) Technology Co., Ltd.	Annual Report on Form 10-K (File No. 001-33071)	March 17, 2008

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Exhibit Number		Description of Exhibit	Incorporation by Reference Herein Form	Date
10.16.3		Appendix 4 to Office Lease Contract, dated March 27, 2008, among Xiamen Torch Hi-tech Industrial Development Zone Finance Services Center, Xiamen Software Industry Investment & Development Co., Ltd. and eHealth China (Xiamen) Technology Co., Ltd.	Quarterly Report on Form 10-Q (File No. 001-33071)	May 12, 2008
10.16.4		Appendix 5 to Office Lease Contract, dated May 19, 2009, among Xiamen Torch Hi-tech Industrial Development Zone Finance Services Center, Xiamen Software Industry Investment & Development Co., Ltd. and eHealth China (Xiamen) Technology Co., Ltd.	Current Report on Form 8-K (File No. 001-33071)	May 21, 2009
10.16.5		Office Lease Contract, dated September 23, 2009, among Xiamen Torch Hi-tech Industrial Development Zone Finance Services Center, Xiamen Software Industry Investment & Development Co., Ltd. and eHealth China (Xiamen) Technology Co., Ltd.	Quarter Report on Form 10-Q (File No. 001-33071)	November 9, 2009
10.16.6		Property Management Service Contract, effective September 24, 2009, between Xiamen Software Industry Investment & Development Co., Ltd. and eHealth China (Xiamen) Technology Co., Ltd.	Quarter Report on Form 10-Q (File No. 001-33071)	November 9, 2009
10.17*		2009 Executive Bonus Plan	Quarterly Report on Form 10-Q (File No. 001-33071)	May 11, 2009
10.18*		eHealth, Inc. Performance Bonus Plan	Definitive Proxy Statement on Schedule 14A (File No. 001-33071)	April 21, 2009
21.1		List of Subsidiaries	Registration Statement on Form S-l, as amended (File No. 333-133526)	April 25, 2006
23.1	†	Consent of Independent Registered Public Accounting Firm		
31.1	†	Certification of Gary L. Lauer, Chief Executive Officer of eHealth, Inc., pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		
31.2	†	Certification of Stuart M. Huizinga, Chief Financial Officer of eHealth, Inc., pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		

Exhibit Number		Description of Exhibit	Incorporation by Reference Herein Form	Date
32.1	‡	Certification of Gary L. Lauer, Chief Executive Officer of eHealth, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002		
32.2	‡	Certification of Stuart M. Huizinga, Chief Financial Officer of eHealth, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002		

† Filed herewith.
‡ Furnished herewith.
* Indicates a management contract or compensatory plan or arrangement.

EHEALTH, INC.

MANAGEMENT RETENTION AGREEMENT

This Management Retention Agreement (the “Agreement”) is made and entered into by and between Sheldon Wang (the “Executive”) and eHealth, Inc. (the “Company”), effective as of the date last signed below.

RECITALS

1. It is possible that the Company may from time to time receive acquisition proposals by other companies. The Compensation Committee of the Board of Directors of the Company (the “Committee”) recognizes that consideration of any such proposals can be a distraction to the Executive and can cause the Executive to consider alternative employment opportunities. The Committee has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication and objectivity of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined herein) of the Company.

2. The Committee believes that it is in the best interests of the Company and its stockholders to provide the Executive with an incentive to continue his or her employment and to motivate the Executive to maximize the value of the Company upon a Change of Control for the benefit of its stockholders.

3. The Committee believes that it is imperative to provide the Executive with certain severance benefits upon certain terminations of employment relating to a Change of Control. These benefits will provide the Executive with enhanced financial security and incentive and encouragement to remain with the Company.

4. Certain capitalized terms used in the Agreement are defined in Section 5 below.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

1. Term of Agreement. This Agreement shall terminate upon the date that all of the obligations of the parties hereto with respect to this Agreement have been satisfied.

2. At-Will Employment. The Company and the Executive acknowledge that the Executive’s employment is and shall continue to be at-will, as defined under applicable law.

3. Severance Benefits.

(a) Involuntary Termination Other than for Cause or Voluntary Termination for Good Reason During the Change of Control Period. If within the period beginning on the date of a Change of Control and ending twelve (12) months later (the "Change of Control Period") (i) the Executive terminates his or her employment with the Company (or any parent or subsidiary of the Company) for "Good Reason" (as defined herein), or (ii) the Company (or any parent or subsidiary of the Company) terminates the Executive's employment for other than "Cause" (as defined herein), and the Executive signs and does not revoke a standard release of claims with the Company in a form substantially similar to that attached hereto as Exhibit A (the "Release"), then the Executive shall receive the following severance benefits from the Company:

(i) Severance Payment. The Executive shall receive a single lump-sum cash severance payment (less applicable withholding taxes) in an amount equal to twelve (12) months of Executive's then current annual base salary.

(ii) Pro-Rated Annual Bonus. A single lump-sum cash payment equal to the Executive's then target annual bonus, multiplied by a fraction, the numerator of which is the number of days in the Company's fiscal year prior to and including the date of Executive's termination of employment and the denominator of which is 365.

(iii) Acceleration of Vesting of Equity Compensation. One hundred percent (100%) of the Executive's outstanding and unvested awards relating to the Company's common stock (whether stock options, stock appreciation rights, shares of restricted stock, restricted stock units, performance shares or otherwise (collectively, the "Equity Awards")) will become vested and will otherwise remain subject to the terms and conditions of the applicable Equity Award agreement.

(iv) Continued Executive Benefits. Subject to the Executive timely electing continuation coverage under Title X of the Consolidated Budget Reconciliation Act of 1985 ("COBRA"), the Executive shall receive one-hundred percent (100%) Company-paid group health, dental and vision coverage (the "Company-Paid Coverage"). If such coverage included the Executive's dependents immediately prior to the Change of Control, such dependents shall also be covered at Company expense. Company-Paid Coverage shall continue until the earlier of (i) twelve (12) months from the date of termination, or (ii) the date upon which the Executive and his dependents become covered under another employer's group health, dental and vision plans that provide Executive and his dependents with comparable benefits and levels of coverage.

(b) Voluntary Resignation; Termination for Cause; Death or Disability; Termination Outside of Change of Control Period; Notice. If the Executive's employment with the Company terminates (i) voluntarily by the Executive other than for Good Reason (ii) for Cause by the Company, (iii) due to Executive's death or Disability (as defined hereunder), or (iv) outside of the Change of Control Period, then the Executive shall not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing severance and benefits plans and practices or pursuant to other written agreements with the Company.

(c) Exclusive Remedy. The provisions of this Section 3 are intended to be and are the Executive's exclusive rights to severance payments and benefits in the event of termination of service during the Change of Control Period and during the Change of Control Period shall supersede in their entirety the severance provisions in the Executive's offer letter dated July 26, 1999, as supplemented and amended from time to time (the "Offer Letter"); provided, however that the Offer Letter severance provisions shall continue to govern Executive's severance benefits outside of the Change of Control Period. The parties hereto agree that nothing herein is intended to result in duplication of severance or any other benefits.

(d) Code Section 409A.

(i) Any amount paid under this Agreement that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the regulations issued under Section 409A of the Code (the "Treasury Regulations") shall not constitute Deferred Compensation Separation Benefits for purposes of Section 3(d)(ii) below, and consequently shall be paid to Executive promptly following termination as otherwise required by this Agreement.

(ii) Notwithstanding anything to the contrary in this Agreement, if Executive is a "specified employee" within the meaning of Section 409A of the Code, and the final regulations and any guidance promulgated thereunder ("Section 409A") at the time of Executive's separation from service (as such term is defined in Section 409A), then the cash severance benefits payable to Executive under this Agreement along with any other severance payments or separation benefits that may be considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits") that are otherwise due to Executive on or within the six (6) month period following Executive's separation from service shall accrue during such six (6) month period and shall become payable in a lump sum payment on the date six (6) months and one (1) day following the date of Executive's separation from service. All subsequent payments, if any, shall be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following his separation from service but prior to the six (6) month anniversary of his date of separation from service, then any payments delayed in accordance with this Section shall be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Compensation Separation Benefits shall be payable in accordance with the payment schedule applicable to each payment or benefit.

(iii) Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit (as defined below) shall not constitute Deferred Compensation Separation Benefits for purposes of Section 3(d)(ii) above. For purposes of this Section 3(d), "Section 409A Limit" will mean the lesser of two (2) times: (i) Executive's annualized compensation based upon the annual rate of pay paid to Executive during the Company's taxable year preceding the Company's taxable year of Executive's termination of employment as determined under Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1); or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which Executive's employment is terminated.

(iv) It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder shall be subject to the additional tax imposed under Section 409A, and any ambiguities herein shall be interpreted to so comply. The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition under Section 409A prior to actual payment to Executive.

(v) Notwithstanding any other provisions of this Agreement, Executive's receipt of severance payments and benefits under this Agreement is conditioned upon Executive signing and not revoking the Release and subject to the Release becoming effective within sixty (60) days following Executive's termination of employment (the "Release Period"). No severance will be paid or provided until the Release becomes effective. No severance will be paid or provided unless the Release becomes effective during the Release Period. Any severance payments to which Executive is entitled under this Agreement shall be paid by the Company to Executive in cash and in full arrears on the sixty-first (61^{st}) day following Executive's employment termination date or such later date as is required pursuant to Section 409A.

4. Golden Parachute Excise Tax Best Results. If any payment or benefit Executive would receive pursuant to this Agreement or otherwise ("Payment") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then such Payment shall be reduced to the Reduced Amount. The "Reduced Amount" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive's receipt, on an after-tax basis, of the greater amount of the Payment notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting "parachute payments" is necessary so that the Payment equals the Reduced Amount, reduction shall occur in the following order: (A) cash payments shall be reduced first and in reverse chronological order such that the cash payment owed on the latest date following the occurrence of the event triggering such excise tax will be the first cash payment to be reduced; (B) accelerated vesting of stock awards shall be cancelled/reduced next and in the reverse order of the date of grant for such stock awards (i.e., the vesting of the most recently granted stock awards will be reduced first); and (C) employee benefits shall be reduced last and in reverse chronological order such that the benefit owed on the latest date following the occurrence of the event triggering such excise tax will be the first benefit to be reduced.

The Company shall appoint a nationally recognized accounting firm to make the determinations required hereunder and perform the foregoing calculations. The Company shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder.

The accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and Executive within fifteen (15) calendar days after the date on which right to a Payment is triggered (if requested at that time by the

Company or Executive) or such other time as requested by the Company or Executive. If the accounting firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Amount, it shall furnish the Company and Executive with an opinion reasonably acceptable to Executive that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and Executive.

5. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. "Cause" shall mean (i) Executive's commission of any act of fraud, embezzlement or dishonesty, (ii) Executive's conviction of, or plea of nolo contendere to, a felony under the laws of the United States or any state thereof, (iii) Executive's continued failure to perform lawfully assigned duties for 30 days after receiving written notification from the Chief Executive Officer, (iv) Executive's unauthorized use or disclosure of confidential information or trade secrets of the Company, or (v) any other intentional misconduct by Executive that adversely affects the business of the Company in a material manner.

(b) Change of Control. "Change of Control" means the occurrence of any of the following, in one or a series of related transactions:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

(iii) The consummation of the sale, lease or other disposition by the Company of all or substantially all the Company's assets.

(c) Disability. "Disability" means Executive (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering Company employees.

(d) Good Reason. "Good Reason" means that Executive resigns his employment within 120 days after any of the following is undertaken by the Company (or its acquirer) without Executive's express written consent: (i) a reduction in Executive's title (other than having the same title at a division or subsidiary of the acquirer encompassing the Company's business), (ii) a material reduction of Executive's duties, authority or responsibilities (other than having similar duties, authority and responsibilities at a division or subsidiary of the acquirer encompassing the Company's business); (iii) any material reduction of Executive's base salary and potential bonus (other than a proportionate reduction in the Executive's base salary that affects all senior management of the Company); or (iv) a material change in the geographic location at which Executive must perform services; provided that in no instance will the relocation of Executive to a facility or location of fifty (50) miles or less from the Executive's then current office location be deemed material for purposes of this Agreement; provided, however, that Good Reason shall not exist unless Executive has provided written notice to the Board of Directors of the purported grounds for the Good Reason within 90 days of its initial existence and the Company has been provided at least 30 days to remedy the condition.

6. Successors.

(a) The Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this Section 6(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) The Executive's Successors. The terms of this Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

7. Notice.

(a) General. All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given upon receipt or, if earlier, (a) five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail, postage prepaid, (b) upon delivery, if delivered by hand, (c) one (1) business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid or (d) one (1) business day after the business day of facsimile transmission, if delivered by facsimile transmission with copy by first class mail, postage prepaid, and shall be addressed (i) if to Executive, at his or her last known residential address and (ii) if to the Company, at the address of its principal corporate offices (attention: Secretary), or in any such case at such other address as a party may designate by ten (10) days' advance written notice to the other party pursuant to the provisions above.

(b) Notice of Termination. Any termination by the Company for Cause or by the Executive for Good Reason or as a result of a voluntary resignation shall be communicated by a notice of termination to the other party hereto given in accordance with Section 7(a) of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date (which shall be not more than thirty (30) days after the giving of such notice). The failure by the Executive to include in the notice any fact or circumstance which contributes to a showing of Good Reason shall not waive any right of the Executive hereunder or preclude the Executive from asserting such fact or circumstance in enforcing his or her rights hereunder.

8. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement, nor shall any such payment be reduced by any earnings that the Executive may receive from any other source.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Headings. All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

(d) Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto and supersedes in their entirety all prior representations, understandings, undertakings or agreements (whether oral or written and whether expressed or implied), of the parties with respect to the subject matter hereof, including the severance provisions of the Offer Letter.

(e) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California (with the exception of its conflict of laws provisions).

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(h) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Management Retention Agreement, in the case of the Company by its duly authorized officer, as of the last date signed below.

COMPANY	EHEALTH, INC.
	By: /s/ Gary Lauer
	Title: CEO
	Date: January 14, 2010
EXECUTIVE	/s/ Sheldon Wang
	Date: Jan. 14, 2010

<u>EXHIBIT A</u>

EHEALTH, INC.

RELEASE OF CLAIMS

This Release of Claims (“Agreement”) is made by and between eHealth, Inc. (the “Company”), and Sheldon Wang (“Executive”).

WHEREAS, Executive has agreed to enter into a release of claims in favor of the Company upon certain events specified in the Management Retention Agreement by and between Company and Executive (the “Change of Control Agreement”).

NOW THEREFORE, in consideration of the mutual promises made herein, the Parties hereby agree as follows:

1. <u>Termination</u>. Executive’s employment from the Company terminated on __________.

2. <u>Confidential Information</u>. Executive shall continue to maintain the confidentiality of all confidential and proprietary information of the Company and shall continue to comply with the terms and conditions of the Proprietary Information and Inventions Agreement between Executive and the Company. Executive shall return all the Company property and confidential and proprietary information in his possession to the Company on the Effective Date of this Agreement.

3. <u>Payment of Salary</u>. Executive acknowledges and represents that the Company has paid all salary, wages, bonuses, accrued vacation, commissions and any and all other benefits due to Executive.

4. <u>Release of Claims</u>. Except as set forth in the last paragraph of this Section 4, Executive agrees that the foregoing consideration represents settlement in full of all outstanding obligations owed to Executive by the Company. Executive, on behalf of himself, and his respective heirs, family members, executors and assigns, hereby fully and forever releases the Company and its past, present and future officers, agents, directors, employees, investors, shareholders, administrators, affiliates, divisions, subsidiaries, parents, predecessor and successor corporations, and assigns, from, and agrees not to sue or otherwise institute or cause to be instituted any legal or administrative proceedings concerning any claim, duty, obligation or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that he may possess arising from any omissions, acts or facts that have occurred up until and including the Effective Date of this Agreement including, without limitation,

(a) any and all claims relating to or arising from Executive’s employment relationship with the Company and the termination of that relationship;

(b) any and all claims relating to, or arising from, Executive's right to purchase, or actual purchase of shares of stock of the Company, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

(c) any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; breach of contract, both express and implied; breach of a covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; and conversion;

(d) any and all claims for violation of any federal, state or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1967, the Americans with Disabilities Act of 1990, the Fair Labor Standards Act, the Executive Retirement Income Security Act of 1974, The Worker Adjustment and Retraining Notification Act, the California Fair Employment and Housing Act, and Labor Code section 201, *et seq*. and section 970, *et seq*. and all amendments to each such Act as well as the regulations issued thereunder;

(e) any and all claims for violation of the federal, or any state, constitution;

(f) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination; and

(g) any and all claims for attorneys' fees and costs.

Executive agrees that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any severance obligations due Executive under the Change of Control Agreement. Nothing in this Agreement waives Executive's rights to indemnification or any payments under any fiduciary insurance policy, if any, provided by any act or agreement of the Company, state or federal law or policy of insurance.

5. Acknowledgment of Waiver of Claims under ADEA. Executive acknowledges that he is waiving and releasing any rights he may have under the Age Discrimination in Employment Act of 1967 ("ADEA") and that this waiver and release is knowing and voluntary. Executive and the Company agree that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. Executive acknowledges that the consideration given for this waiver and release Agreement is in addition to anything of value to which Executive was already entitled. Executive further acknowledges that he has been advised by this writing that (a) he should consult with an attorney prior to executing this Agreement; (b) he has at least twenty-one (21) days within which to consider this Agreement; (c) he has seven (7) days following the execution of this Agreement by the parties to revoke the Agreement; (d) this Agreement shall not be effective until the revocation period has expired; and (e) nothing in this Agreement prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties or costs for doing so, unless specifically authorized by federal law. Any revocation should be in writing and delivered to the Vice-President of Human Resources at the Company by close of business on the seventh day from the date that Executive signs this Agreement.

6. Civil Code Section 1542. Executive represents that he is not aware of any claims against the Company other than the claims that are released by this Agreement. Executive acknowledges that he has been advised by legal counsel and is familiar with the provisions of California Civil Code 1542, below, which provides as follows:

> **A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.**

Executive, being aware of said code section, agrees to expressly waive any rights he may have thereunder, as well as under any statute or common law principles of similar effect.

7. No Pending or Future Lawsuits. Executive represents that he has no lawsuits, claims, or actions pending in his name, or on behalf of any other person or entity, against the Company or any other person or entity referred to herein. Executive also represents that he does not intend to bring any claims on his own behalf or on behalf of any other person or entity against the Company or any other person or entity referred to herein.

8. Application for Employment. Executive understands and agrees that, as a condition of this Agreement, he shall not be entitled to any employment with the Company, its subsidiaries, or any successor, and he hereby waives any right, or alleged right, of employment or re-employment with the Company.

9. No Cooperation. Executive agrees that he will not counsel or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against the Company and/or any officer, director, employee, agent, representative, shareholder or attorney of the Company, unless under a subpoena or other court order to do so.

10. No Admission of Liability. No action taken by the Company, either previously or in connection with this Agreement shall be deemed or construed to be (a) an admission of the truth or falsity of any claims heretofore made or (b) an acknowledgment or admission by the Company of any fault or liability whatsoever to the Executive or to any third party.

11. Costs. The Parties shall each bear their own costs, expert fees, attorneys' fees and other fees incurred in connection with this Agreement.

12. Authority. Executive represents and warrants that he has the capacity to act on his own behalf and on behalf of all who might claim through him to bind them to the terms and conditions of this Agreement.

13. No Representations. Executive represents that he has had the opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the provisions of this Agreement. Neither party has relied upon any representations or statements made by the other party hereto which are not specifically set forth in this Agreement.

14. Severability. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

15. Entire Agreement. This Agreement, along with the Change of Control Agreement, the Employee Inventions and Proprietary Rights Assignment Agreement, and Executive's written equity compensation agreements with the Company, represents the entire agreement and understanding between the Company and Executive concerning Executive's separation from the Company.

16. No Oral Modification. This Agreement may only be amended in writing signed by Executive and the Chairman of the Compensation Committee of the Board of Directors of the Company.

17. Governing Law. This Agreement shall be governed by the internal substantive laws, but not the choice of law rules, of the State of California.

18. Effective Date. This Agreement is effective eight (8) days after it has been signed by both Parties.

19. Counterparts. This Agreement may be executed in counterparts, and each counterpart shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.

20. Voluntary Execution of Agreement. This Agreement is executed voluntarily and without any duress or undue influence on the part or behalf of the Parties hereto, with the full intent of releasing all claims. The Parties acknowledge that:

(a) They have read this Agreement;

(b) They have had the opportunity of being represented in the preparation, negotiation, and execution of this Agreement by legal counsel of their own choice or that they have voluntarily declined to seek such counsel;

(c) They understand the terms and consequences of this Agreement and of the releases it contains;

(d) They are fully aware of the legal and binding effect of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

	eHealth, Inc.
Dated: ______, 20__	By ______________________________
	Sheldon Wang, an individual
Dated: ______, 20__	______________________________

EHEALTH, INC.

MANAGEMENT RETENTION AGREEMENT

This Management Retention Agreement (the “Agreement”) is made and entered into by and between Bruce A. Telkamp (the “Executive”) and eHealth, Inc. (the “Company”), effective as of the date last signed below.

RECITALS

1. It is possible that the Company may from time to time receive acquisition proposals by other companies. The Compensation Committee of the Board of Directors of the Company (the “Committee”) recognizes that consideration of any such proposals can be a distraction to the Executive and can cause the Executive to consider alternative employment opportunities. The Committee has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication and objectivity of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined herein) of the Company.

2. The Committee believes that it is in the best interests of the Company and its stockholders to provide the Executive with an incentive to continue his or her employment and to motivate the Executive to maximize the value of the Company upon a Change of Control for the benefit of its stockholders.

3. The Committee believes that it is imperative to provide the Executive with certain severance benefits upon certain terminations of employment relating to a Change of Control. These benefits will provide the Executive with enhanced financial security and incentive and encouragement to remain with the Company.

4. Certain capitalized terms used in the Agreement are defined in Section 5 below.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

1. Term of Agreement. This Agreement shall terminate upon the date that all of the obligations of the parties hereto with respect to this Agreement have been satisfied.

2. At-Will Employment. The Company and the Executive acknowledge that the Executive’s employment is and shall continue to be at-will, as defined under applicable law.

3. Severance Benefits.

(a) Involuntary Termination Other than for Cause or Voluntary Termination for Good Reason During the Change of Control Period. If within the period beginning on the date of a Change of Control and ending twelve (12) months later (the "Change of Control Period") (i) the Executive terminates his or her employment with the Company (or any parent or subsidiary of the Company) for "Good Reason" (as defined herein), or (ii) the Company (or any parent or subsidiary of the Company) terminates the Executive's employment for other than "Cause" (as defined herein), and the Executive signs and does not revoke a standard release of claims with the Company in a form substantially similar to that attached hereto as Exhibit A (the "Release"), then the Executive shall receive the following severance benefits from the Company:

(i) Severance Payment. The Executive shall receive a single lump-sum cash severance payment (less applicable withholding taxes) in an amount equal to twelve (12) months of Executive's then current annual base salary.

(ii) Pro-Rated Annual Bonus. A single lump-sum cash payment equal to the Executive's then target annual bonus, multiplied by a fraction, the numerator of which is the number of days in the Company's fiscal year prior to and including the date of Executive's termination of employment and the denominator of which is 365.

(iii) Acceleration of Vesting of Equity Compensation. One hundred percent (100%) of the Executive's outstanding and unvested awards relating to the Company's common stock (whether stock options, stock appreciation rights, shares of restricted stock, restricted stock units, performance shares or otherwise (collectively, the "Equity Awards")) will become vested and will otherwise remain subject to the terms and conditions of the applicable Equity Award agreement.

(iv) Continued Executive Benefits. Subject to the Executive timely electing continuation coverage under Title X of the Consolidated Budget Reconciliation Act of 1985 ("COBRA"), the Executive shall receive one-hundred percent (100%) Company-paid group health, dental and vision coverage (the "Company-Paid Coverage"). If such coverage included the Executive's dependents immediately prior to the Change of Control, such dependents shall also be covered at Company expense. Company-Paid Coverage shall continue until the earlier of (i) twelve (12) months from the date of termination, or (ii) the date upon which the Executive and his dependents become covered under another employer's group health, dental and vision plans that provide Executive and his dependents with comparable benefits and levels of coverage.

(b) Voluntary Resignation; Termination for Cause; Death or Disability; Termination Outside of Change of Control Period; Notice. If the Executive's employment with the Company terminates (i) voluntarily by the Executive other than for Good Reason (ii) for Cause by the Company, (iii) due to Executive's death or Disability (as defined hereunder), or (iv) outside of the Change of Control Period, then the Executive shall not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing severance and benefits plans and practices or pursuant to other written agreements with the Company.

(c) Exclusive Remedy. The provisions of this Section 3 are intended to be and are the Executive's exclusive rights to severance payments and benefits in the event of termination of service during the Change of Control Period and during the Change of Control Period shall supersede in their entirety the severance provisions in the Executive's offer letter dated April 6, 2000, as supplemented and amended from time to time (the "Offer Letter"); provided, however that the Offer Letter severance provisions shall continue to govern Executive's severance benefits outside of the Change of Control Period. The parties hereto agree that nothing herein is intended to result in duplication of severance or any other benefits.

(d) Code Section 409A.

(i) Any amount paid under this Agreement that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the regulations issued under Section 409A of the Code (the "Treasury Regulations") shall not constitute Deferred Compensation Separation Benefits for purposes of Section 3(d)(ii) below, and consequently shall be paid to Executive promptly following termination as otherwise required by this Agreement.

(ii) Notwithstanding anything to the contrary in this Agreement, if Executive is a "specified employee" within the meaning of Section 409A of the Code, and the final regulations and any guidance promulgated thereunder ("Section 409A") at the time of Executive's separation from service (as such term is defined in Section 409A), then the cash severance benefits payable to Executive under this Agreement along with any other severance payments or separation benefits that may be considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits") that are otherwise due to Executive on or within the six (6) month period following Executive's separation from service shall accrue during such six (6) month period and shall become payable in a lump sum payment on the date six (6) months and one (1) day following the date of Executive's separation from service. All subsequent payments, if any, shall be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following his separation from service but prior to the six (6) month anniversary of his date of separation from service, then any payments delayed in accordance with this Section shall be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Compensation Separation Benefits shall be payable in accordance with the payment schedule applicable to each payment or benefit.

(iii) Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit (as defined below) shall not constitute Deferred Compensation Separation Benefits for purposes of Section 3(d)(ii) above. For purposes of this Section 3(d), "Section 409A Limit" will mean the lesser of two (2) times: (i) Executive's annualized compensation based upon the annual rate of pay paid to Executive during the Company's taxable year preceding the Company's taxable year of Executive's termination of employment as determined under Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1); or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which Executive's employment is terminated.

(iv) It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder shall be subject to the additional tax imposed under Section 409A, and any ambiguities herein shall be interpreted to so comply. The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition under Section 409A prior to actual payment to Executive.

(v) Notwithstanding any other provisions of this Agreement, Executive's receipt of severance payments and benefits under this Agreement is conditioned upon Executive signing and not revoking the Release and subject to the Release becoming effective within sixty (60) days following Executive's termination of employment (the "Release Period"). No severance will be paid or provided until the Release becomes effective. No severance will be paid or provided unless the Release becomes effective during the Release Period. Any severance payments to which Executive is entitled under this Agreement shall be paid by the Company to Executive in cash and in full arrears on the sixty-first (61^{st}) day following Executive's employment termination date or such later date as is required pursuant to Section 409A.

4. Golden Parachute Excise Tax Best Results. If any payment or benefit Executive would receive pursuant to this Agreement or otherwise ("Payment") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then such Payment shall be reduced to the Reduced Amount. The "Reduced Amount" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive's receipt, on an after-tax basis, of the greater amount of the Payment notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting "parachute payments" is necessary so that the Payment equals the Reduced Amount, reduction shall occur in the following order: (A) cash payments shall be reduced first and in reverse chronological order such that the cash payment owed on the latest date following the occurrence of the event triggering such excise tax will be the first cash payment to be reduced; (B) accelerated vesting of stock awards shall be cancelled/reduced next and in the reverse order of the date of grant for such stock awards (i.e., the vesting of the most recently granted stock awards will be reduced first); and (C) employee benefits shall be reduced last and in reverse chronological order such that the benefit owed on the latest date following the occurrence of the event triggering such excise tax will be the first benefit to be reduced.

The Company shall appoint a nationally recognized accounting firm to make the determinations required hereunder and perform the foregoing calculations. The Company shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder.

The accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and Executive within fifteen (15) calendar days after the date on which right to a Payment is triggered (if requested at that time by the Company or Executive) or such other time as requested by the Company or Executive. If the accounting firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Amount, it shall furnish the Company and Executive with an opinion reasonably acceptable to Executive that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and Executive.

5. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. "Cause" shall mean (i) Executive's commission of any act of fraud, embezzlement or dishonesty, (ii) Executive's conviction of, or plea of nolo contendere to, a felony under the laws of the United States or any state thereof, (iii) Executive's continued failure to perform lawfully assigned duties for 30 days after receiving written notification from the Chief Executive Officer, (iv) Executive's unauthorized use or disclosure of confidential information or trade secrets of the Company, or (v) any other intentional misconduct by Executive that adversely affects the business of the Company in a material manner.

(b) Change of Control. "Change of Control" means the occurrence of any of the following, in one or a series of related transactions:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

(iii) The consummation of the sale, lease or other disposition by the Company of all or substantially all the Company's assets.

(c) Disability. "Disability" means Executive (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering Company employees.

(d) Good Reason. "Good Reason" means that Executive resigns his employment within 120 days after any of the following is undertaken by the Company (or its acquirer) without Executive's express written consent: (i) a reduction in Executive's title (other than having the same title at a division or subsidiary of the acquirer encompassing the Company's business), (ii) a material reduction of Executive's duties, authority or responsibilities (other than having similar duties, authority and responsibilities at a division or subsidiary of the acquirer encompassing the Company's business); (ii) any material reduction of Executive's base salary and potential bonus (other than a proportionate reduction in the Executive's base salary that affects all senior management of the Company); or (iii) a material change in the geographic location at which Executive must perform services; provided that in no instance will the relocation of Executive to a facility or location of fifty (50) miles or less from the Executive's then current office location be deemed material for purposes of this Agreement; provided, however, that Good Reason shall not exist unless Executive has provided written notice to the Board of Directors of the purported grounds for the Good Reason within 90 days of its initial existence and the Company has been provided at least 30 days to remedy the condition.

6. Successors.

(a) The Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this Section 6(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) The Executive's Successors. The terms of this Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

7. Notice.

(a) General. All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given upon receipt or, if earlier, (a) five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail, postage prepaid, (b) upon delivery, if delivered by hand, (c) one (1) business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid or (d) one (1) business day after the business day of facsimile transmission, if delivered by facsimile transmission with copy by first class mail, postage prepaid, and shall be addressed (i) if to Executive, at his or her last known residential address and (ii) if to the Company, at the address of its principal corporate offices (attention: Secretary), or in any such case at such other address as a party may designate by ten (10) days' advance written notice to the other party pursuant to the provisions above.

(b) Notice of Termination. Any termination by the Company for Cause or by the Executive for Good Reason or as a result of a voluntary resignation shall be communicated by a notice of termination to the other party hereto given in accordance with Section 7(a) of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date (which shall be not more than thirty (30) days after the giving of such notice). The failure by the Executive to include in the notice any fact or circumstance which contributes to a showing of Good Reason shall not waive any right of the Executive hereunder or preclude the Executive from asserting such fact or circumstance in enforcing his or her rights hereunder.

8. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement, nor shall any such payment be reduced by any earnings that the Executive may receive from any other source.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Headings. All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

(d) Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto and supersedes in their entirety all prior representations, understandings, undertakings or agreements (whether oral or written and whether expressed or implied), of the parties with respect to the subject matter hereof, including the severance provisions of the Offer Letter.

(e) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California (with the exception of its conflict of laws provisions).

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(h) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Management Retention Agreement, in the case of the Company by its duly authorized officer, as of the last date signed below.

COMPANY	EHEALTH, INC.
	By: /s/ Gary Lauer
	Title: CEO
	Date: January 14, 2010
EXECUTIVE	/s/ Bruce Telkamp
	Date: Jan. 14, 2010

EXHIBIT A

EHEALTH, INC.

RELEASE OF CLAIMS

This Release of Claims ("Agreement") is made by and between eHealth, Inc. (the "Company"), and Bruce A. Telkamp ("Executive").

WHEREAS, Executive has agreed to enter into a release of claims in favor of the Company upon certain events specified in the Management Retention Agreement by and between Company and Executive (the "Change of Control Agreement").

NOW THEREFORE, in consideration of the mutual promises made herein, the Parties hereby agree as follows:

1. Termination. Executive's employment from the Company terminated on ___________.

2. Confidential Information. Executive shall continue to maintain the confidentiality of all confidential and proprietary information of the Company and shall continue to comply with the terms and conditions of the Proprietary Information and Inventions Agreement between Executive and the Company. Executive shall return all the Company property and confidential and proprietary information in his possession to the Company on the Effective Date of this Agreement.

3. Payment of Salary. Executive acknowledges and represents that the Company has paid all salary, wages, bonuses, accrued vacation, commissions and any and all other benefits due to Executive.

4. Release of Claims. Except as set forth in the last paragraph of this Section 4, Executive agrees that the foregoing consideration represents settlement in full of all outstanding obligations owed to Executive by the Company. Executive, on behalf of himself, and his respective heirs, family members, executors and assigns, hereby fully and forever releases the Company and its past, present and future officers, agents, directors, employees, investors, shareholders, administrators, affiliates, divisions, subsidiaries, parents, predecessor and successor corporations, and assigns, from, and agrees not to sue or otherwise institute or cause to be instituted any legal or administrative proceedings concerning any claim, duty, obligation or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that he may possess arising from any omissions, acts or facts that have occurred up until and including the Effective Date of this Agreement including, without limitation,

(a) any and all claims relating to or arising from Executive's employment relationship with the Company and the termination of that relationship;

(b) any and all claims relating to, or arising from, Executive's right to purchase, or actual purchase of shares of stock of the Company, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

(c) any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; breach of contract, both express and implied; breach of a covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; and conversion;

(d) any and all claims for violation of any federal, state or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1967, the Americans with Disabilities Act of 1990, the Fair Labor Standards Act, the Executive Retirement Income Security Act of 1974, The Worker Adjustment and Retraining Notification Act, the California Fair Employment and Housing Act, and Labor Code section 201, *et seq*. and section 970, *et seq*. and all amendments to each such Act as well as the regulations issued thereunder;

(e) any and all claims for violation of the federal, or any state, constitution;

(f) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination; and

(g) any and all claims for attorneys' fees and costs.

Executive agrees that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any severance obligations due Executive under the Change of Control Agreement. Nothing in this Agreement waives Executive's rights to indemnification or any payments under any fiduciary insurance policy, if any, provided by any act or agreement of the Company, state or federal law or policy of insurance.

5. Acknowledgment of Waiver of Claims under ADEA. Executive acknowledges that he is waiving and releasing any rights he may have under the Age Discrimination in Employment Act of 1967 ("ADEA") and that this waiver and release is knowing and voluntary. Executive and the Company agree that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. Executive acknowledges that the consideration given for this waiver and release Agreement is in addition to anything of value to which Executive was already entitled. Executive further acknowledges that he has been advised by this writing that (a) he should consult with an attorney prior to executing this Agreement; (b) he has at least twenty-one (21) days within which to consider this Agreement; (c) he has seven (7) days following the execution of this Agreement by the parties to revoke the Agreement; (d) this Agreement shall not be effective until the revocation period has expired; and (e) nothing in this Agreement prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties or costs for doing so, unless specifically authorized by federal law. Any revocation should be in writing and delivered to the Vice-President of Human Resources at the Company by close of business on the seventh day from the date that Executive signs this Agreement.

6. Civil Code Section 1542. Executive represents that he is not aware of any claims against the Company other than the claims that are released by this Agreement. Executive acknowledges that he has been advised by legal counsel and is familiar with the provisions of California Civil Code 1542, below, which provides as follows:

> **A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.**

Executive, being aware of said code section, agrees to expressly waive any rights he may have thereunder, as well as under any statute or common law principles of similar effect.

7. No Pending or Future Lawsuits. Executive represents that he has no lawsuits, claims, or actions pending in his name, or on behalf of any other person or entity, against the Company or any other person or entity referred to herein. Executive also represents that he does not intend to bring any claims on his own behalf or on behalf of any other person or entity against the Company or any other person or entity referred to herein.

8. Application for Employment. Executive understands and agrees that, as a condition of this Agreement, he shall not be entitled to any employment with the Company, its subsidiaries, or any successor, and he hereby waives any right, or alleged right, of employment or re-employment with the Company.

9. No Cooperation. Executive agrees that he will not counsel or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against the Company and/or any officer, director, employee, agent, representative, shareholder or attorney of the Company, unless under a subpoena or other court order to do so.

10. No Admission of Liability. No action taken by the Company, either previously or in connection with this Agreement shall be deemed or construed to be (a) an admission of the truth or falsity of any claims heretofore made or (b) an acknowledgment or admission by the Company of any fault or liability whatsoever to the Executive or to any third party.

11. Costs. The Parties shall each bear their own costs, expert fees, attorneys' fees and other fees incurred in connection with this Agreement.

12. Authority. Executive represents and warrants that he has the capacity to act on his own behalf and on behalf of all who might claim through him to bind them to the terms and conditions of this Agreement.

13. No Representations. Executive represents that he has had the opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the provisions of this Agreement. Neither party has relied upon any representations or statements made by the other party hereto which are not specifically set forth in this Agreement.

14. Severability. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

15. Entire Agreement. This Agreement, along with the Change of Control Agreement, the Employee Inventions and Proprietary Rights Assignment Agreement, and Executive's written equity compensation agreements with the Company, represents the entire agreement and understanding between the Company and Executive concerning Executive's separation from the Company.

16. No Oral Modification. This Agreement may only be amended in writing signed by Executive and the Chairman of the Compensation Committee of the Board of Directors of the Company.

17. Governing Law. This Agreement shall be governed by the internal substantive laws, but not the choice of law rules, of the State of California.

18. Effective Date. This Agreement is effective eight (8) days after it has been signed by both Parties.

19. Counterparts. This Agreement may be executed in counterparts, and each counterpart shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.

20. Voluntary Execution of Agreement. This Agreement is executed voluntarily and without any duress or undue influence on the part or behalf of the Parties hereto, with the full intent of releasing all claims. The Parties acknowledge that:

(a) They have read this Agreement;

(b) They have had the opportunity of being represented in the preparation, negotiation, and execution of this Agreement by legal counsel of their own choice or that they have voluntarily declined to seek such counsel;

(c) They understand the terms and consequences of this Agreement and of the releases it contains;

(d) They are fully aware of the legal and binding effect of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

eHealth, Inc.

Dated: ______, 20__

By ______________________________

Bruce A. Telkamp, an individual

Dated: ______, 20__

____

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-137999 and 333-163269) pertaining to the 2006 Equity Incentive Plan, 2005 Stock Plan, 1998 Stock Plan and 2004 Stock Plan for eHealth China of eHealth, Inc. of our reports dated March 5, 2010, with respect to the consolidated financial statements of eHealth, Inc., and the effectiveness of internal control over financial reporting of eHealth, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2009.

/s/ ERNST & YOUNG LLP

Palo Alto, California
March 5, 2010

Exhibit 31.1

CERTIFICATION

I, Gary L. Lauer, certify that:

1. I have reviewed this Annual Report on Form 10-K of eHealth, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 5, 2010

/S/ GARY L. LAUER

Gary L. Lauer
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Stuart M. Huizinga, certify that:

1. I have reviewed this Annual Report on Form 10-K of eHealth, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 5, 2010

/S/ STUART M. HUIZINGA

Stuart M. Huizinga
Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer, Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of eHealth, Inc. on Form 10-K (the “Form 10-K”) for the annual period ended December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gary L. Lauer, Chief Executive Officer of eHealth, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Form 10-K, to which this certification is attached as Exhibit 32.1, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of eHealth, Inc.

/S/ GARY L. LAUER

Gary L. Lauer
Chief Executive Officer
March 5, 2010

A signed original of this written statement required by Section 906 has been provided to eHealth, Inc. and will be retained by eHealth, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of Chief Financial Officer, Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of eHealth, Inc. on Form 10-K (the "Form 10-K") for the annual period ended December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stuart M. Huizinga, Chief Financial Officer of eHealth, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Form 10-K, to which this certification is attached as Exhibit 32.2, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of eHealth, Inc.

/S/ STUART M. HUIZINGA

Stuart M. Huizinga
Chief Financial Officer
March 5, 2010

A signed original of this written statement required by Section 906 has been provided to eHealth, Inc. and will be retained by eHealth, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.