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

FORM 8-K

CURRENT REPORT

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

Date of Report (date of earliest event reported): July 26, 2011

EHEALTH, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation)

001-33071
(Commission
File Number)

56-2357876
(I.R.S. Employer
Identification No.)

**440 EAST MIDDLEFIELD ROAD
MOUNTAIN VIEW, CALIFORNIA 94043**
(Address of principal executive offices)(Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Section 2 — Financial Information**Item 2.02 Results of Operations and Financial Condition.**

On July 26, 2011, eHealth, Inc. (the “Company”) issued a press release announcing its financial results for the second quarter ended June 30, 2011. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information in Item 2.02 of this Current Report on Form 8-K and the exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Except as shall be expressly set forth by specific reference in such filing, the information contained herein and in the accompanying exhibit shall not be incorporated by reference into any filing with the Securities and Exchange Commission made by the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Section 9 — Financial Statements and Exhibits**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release of eHealth, Inc. dated July 26, 2011 (eHealth, Inc. Announces Second Quarter 2011 Results)

SIGNATURE

Pursuant to the requirements 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 hereunto duly authorized.

Date: July 26, 2011

/ s / STUART M. HUIZINGA

Stuart M. Huizinga
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release of eHealth, Inc. dated July 26, 2011 (eHealth, Inc. Announces Second Quarter 2011 Results)



eHealth, Inc. Announces Second Quarter 2011 Results

Second Quarter 2011 Overview

- Revenue of \$36.2 million, compared to revenue of \$36.3 million for the second quarter of 2010
- EBITDA of \$7.8 million, down 4% from the second quarter of 2010
- Submitted applications for IFP products decreased 13% from the second quarter of 2010
- GAAP operating margins of 13% and non-GAAP operating margins of 20% for the second quarter of 2011
- GAAP net income of \$2.7 million, or \$0.12 per diluted share, and non-GAAP net income of \$4.2 million, or \$0.19 per diluted share, for the second quarter of 2011
- Cash flow from operations of \$7.8 million, down 4% from the second quarter of 2010

MOUNTAIN VIEW, Calif.—July 26, 2011—eHealth, Inc. (NASDAQ: EHTH), the leading online source of health insurance for individuals, families and small businesses, today announced its financial results for the second quarter ended June 30, 2011.

Gary Lauer, chief executive officer of eHealth stated, “We are pleased with our second quarter financial performance in the changing individual market and we are enthused about our emerging Medicare business in the senior market.”

Second Quarter Results

Revenue—Revenue for the second quarter of 2011 totaled \$36.2 million, compared to revenue of \$36.3 million for the second quarter of 2010.

Submitted Applications—Submitted applications for individual and family products decreased 13% in the second quarter of 2011 to 101,600 applications, compared to 117,200 applications in the second quarter of 2010.

Membership—Estimated membership at June 30, 2011 totaled 804,100 members, a 7% increase over estimated membership of 754,900 at June 30, 2010.

Operating Income—Operating income for the second quarter of 2011 was \$4.9 million, a 16% decrease compared to operating income of \$5.8 million for the second quarter of 2010. Operating margins were 13% and 16% in the second quarters of 2011 and 2010, respectively. Non-GAAP operating income for the second quarter of 2011 was \$7.2 million, a 5% decrease compared to non-GAAP operating income of \$7.6 million for the second quarter of 2010. Non-GAAP operating margins were 20% and 21% in the second quarters of 2011 and 2010, respectively. Non-GAAP operating income and margins in the second quarter of 2011 exclude \$1.9 million of stock-based compensation expense and \$0.4 million of intangible asset amortization expense associated with the acquisition of PlanPrescriber, Inc. Non-GAAP operating income and margins in the second quarter of 2010 exclude \$1.6 million of stock-based compensation expense and \$0.3 million of intangible asset amortization expense associated with the acquisition of PlanPrescriber, Inc.

EBITDA—EBITDA for the second quarter of 2011 was \$7.8 million, a 4% decrease compared to EBITDA of \$8.2 million for the second quarter of 2010.

Pre-tax Income—Pre-tax income for the second quarter of 2011 was \$4.8 million, a 16% decrease compared to pre-tax income of \$5.7 million for the second quarter of 2010.

Net Income—Net income for the second quarter of 2011 was \$2.7 million, or \$0.12 per diluted share, compared to net income of \$3.0 million, or \$0.13 per diluted share for the second quarter of 2010. Non-GAAP net income

for the second quarter of 2011 was \$4.2 million, or \$0.19 per diluted share, compared to non-GAAP net income of \$4.2 million, or \$0.17 per diluted share for the second quarter of 2010. Non-GAAP net income and non-GAAP net income per diluted share in the second quarter of 2011 exclude \$1.9 million of stock-based compensation expense and \$0.4 million of intangible asset amortization expense associated with the acquisition of PlanPrescriber, Inc., less \$0.9 million for related income tax benefit. Non-GAAP net income and non-GAAP net income per diluted share in the second quarter of 2010 exclude \$1.6 million of stock-based compensation expense and \$0.3 million of intangible asset amortization expense associated with the acquisition of PlanPrescriber, Inc., less \$0.7 million for related income tax benefit.

Cash Flow and Cash Balance—Cash flow from operations for the second quarter of 2011 was \$7.8 million, compared to \$8.2 million for the second quarter of 2010, representing a decrease of 4%. During the second quarters of 2011 and 2010, we utilized \$1.5 million and \$2.6 million, respectively, of previously unrecognized excess tax benefits related to share-based payments to reduce our federal and state income taxes payable. These excess tax benefits are shown in the cash flow statement as an increase in cash flow from financing activities and a decrease in cash flow from operating activities. Adjusting cash flow in both periods to reflect the full benefit from deferred income taxes, including the portion that is reported in cash flows from financing activities, second quarter 2011 cash flow from operations would have been \$9.3 million as compared to \$10.8 million in the second quarter of 2010.

Cash and cash equivalents as of June 30, 2011 totaled \$135.9 million, compared to \$141.3 million as of June 30, 2010. The change in cash and cash equivalents reflects \$30.0 million used to repurchase shares of our common stock during the second half of 2010 and in January 2011 when we completed our stock repurchase program, having repurchased in the aggregate 2,297,705 shares at an average price of \$13.06 per share.

Year-to-Date Results

Revenue—Revenue totaled \$73.7 million for the six months ended June 30, 2011, a 2% increase compared to revenue of \$72.2 million for the six months ended June 30, 2010.

Operating Income—Operating income for the six months ended June 30, 2011 was \$8.8 million, a 24% decrease compared to operating income of \$11.7 million for the six months ended June 30, 2010. Operating margins were 12% and 16% in the six-month periods ended June 30, 2011 and 2010, respectively.

EBITDA—EBITDA for the six months ended June 30, 2011 was \$14.7 million, a 9% decrease compared to EBITDA of \$16.2 million for the six months ended June 30, 2010.

Pre-tax Income—Pre-tax income for the six months ended June 30, 2011 was \$8.8 million, a 25% decrease compared to pre-tax income of \$11.7 million for the six months ended June 30, 2010.

Net Income—Net income for the six months ended June 30, 2011 was \$4.7 million, or \$0.21 per diluted share, compared to net income for the six months ended June 30, 2010 of \$6.3 million, or \$0.26 per diluted share.

Cash Flow—Cash flow from operations for the six months ended June 30, 2011 was \$14.6 million, compared to \$11.3 million for the six months ended June 30, 2010, representing an increase of 30%.

2011 Guidance

eHealth is reaffirming its guidance for the full year ending December 31, 2011 based on information currently available:

- Total revenue is expected to be in the range of \$141 million to \$149 million
- Stock-based compensation expense is expected to be in the range of \$7 million to \$8 million
- EBITDA* is expected to be in the range of \$23 million to \$28 million
- GAAP net income per diluted share is expected to be in the range of \$0.31 to \$0.40 per share

* EBITDA is calculated by adding stock-based compensation, depreciation and amortization expense, including the amortization of acquired intangible assets, interest and other (income) expense, net and provision for income taxes to GAAP net income.

Webcast and Conference Call Information

A Webcast and conference call will be held today, Tuesday, July 26, 2011 at 5:00 p.m. Eastern Time / 2:00 p.m. Pacific Time. The Webcast will be available live on the Investor Relations section on eHealth's website at <http://ir.ehealthinsurance.com>. Individuals interested in listening to the conference call may do so by dialing 866-383-7989 for domestic callers and 617-597-5328 for international callers. The participant passcode is 80260137. A telephone replay will be available two hours following the conclusion of the call for a period of 30 days and can be accessed by dialing 888-286-8010 for domestic callers and 617-801-6888 for international callers. The call ID for the replay is 33382768. The live and archived webcast of the call will also be available on eHealth's website at <http://www.ehealthinsurance.com> under the Investor Relations section.

About eHealth, Inc.

eHealth, Inc. (NASDAQ:EHTH) is the parent company of eHealthInsurance, the nation's leading online source of health insurance for individuals, families and small businesses. Through the company's website, <http://www.eHealthInsurance.com>, consumers can get quotes from leading health insurance carriers, compare plans side by side, and apply for and purchase health insurance. eHealthInsurance offers thousands of individual, family and small business health plans underwritten by more than 180 of the nation's leading health insurance companies. eHealthInsurance is licensed to sell health insurance in all 50 states and the District of Columbia, making it the ideal model of a successful, high-functioning health insurance exchange. Through the company's eHealth Technology solution (www.eHealthTechnology.com), eHealth is also a leading provider of health insurance exchange technology. eHealth Technology's exchange platform provides a suite of hosted e-commerce solutions that enable health plan providers, resellers and government entities to market and distribute products online. eHealth, Inc. also provides powerful online and pharmacy-based tools to help seniors navigate Medicare health insurance options, choose the right plan and enroll in select plans online through its wholly-owned subsidiary, PlanPrescriber.com (www.PlanPrescriber.com) and through its Medicare website www.eHealthMedicare.com.

Forward-Looking Statements

This press release contains statements that are forward-looking statements as defined within the Private Securities Litigation Reform Act of 1995. These include statements regarding guidance for total revenue, stock-based compensation expense, EBITDA, and GAAP net income per diluted share for the year ending December 31, 2011. These forward-looking statements are inherently subject to various risks and uncertainties that could cause actual results to differ materially from the statements made, including risks associated with the impact of healthcare reform and medical loss ratio requirements; eHealth's ability to maintain its relationship with health insurance carriers; eHealth's rate of growth; eHealth's success in marketing and selling Medicare-related health insurance plans and leads for such plans and factors affecting such success; the need for health insurance carrier and regulatory approvals in connection with the marketing of Medicare related insurance products; costs of acquiring new members; weak economic conditions; consumer awareness of the availability and accessibility of affordable health insurance; changes in member conversion rates and factors affecting conversion; eHealth's membership growth and retention rates; changes in products offered on eHealth's ecommerce platform; changes in commission rates or carrier underwriting practices; maintaining and enhancing eHealth's brand identity and the effectiveness of eHealth's marketing and public relations efforts; system failures, capacity constraints, data loss or online commerce security risks; dependence on acceptance of the Internet as a marketplace for the purchase and sale of health insurance; dependence upon Internet search engines; changes in paid search advertising costs as a result of medical loss ratio requirements; reliance on marketing partners; timing of receipt and accuracy of commission reports; payment practices of health insurance carriers; competition; eHealth's operations in China and any future foreign expansion; success in the sale of sponsorship advertising, the licensing of the use of eHealth's technology or the performance of services pursuant to government contracts and the licensing of the use of eHealth's ecommerce platform; protection of intellectual property and defense of intellectual property rights claims; legal liability, regulatory penalties and negative publicity; ability to attract and retain qualified personnel; management of business expansion and diversification; seasonality; impact of acquisitions, including risks associated with not realizing anticipated synergies and opportunities with respect to PlanPrescriber, Inc.; underperformance by PlanPrescriber, Inc.; PlanPrescriber's maintenance of its relationships with its pharmacy and other partners that serve as a source of Medicare related leads; implementation of internal enterprise systems and maintenance of proper and effective internal controls; impact of provisions for income taxes; changes in laws and regulations,

including with respect to the marketing and sale of Medicare plans; compliance with insurance and other laws and regulations; exposure to online commerce security risks; the performance, reliability and availability of eHealth's ecommerce platform and underlying network infrastructure; stock market conditions and the trading price of shares of eHealth's common stock; and the concentration of eHealth stock in a small number of stockholders. Other factors that could cause operating, financial and other results to differ are described in eHealth's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K filed with the Securities and Exchange Commission and available on the investor relations page of eHealth's website at <http://www.ehealthinsurance.com> and on the Securities and Exchange Commission's website at www.sec.gov. eHealth does not undertake any obligation to update any forward-looking statement to conform the statement to actual results or changes in expectations.

Non-GAAP Financial Information

This press release includes financial measures that are not in accordance with generally accepted accounting principles in the United States ("GAAP"). To supplement eHealth's condensed consolidated financial statements presented in accordance with GAAP, eHealth presents investors with certain non-GAAP financial measures, including non-GAAP operating income; non-GAAP operating margins; earnings before interest, taxes, depreciation and amortization ("EBITDA"); non-GAAP net income and non-GAAP net income per diluted share.

- Non-GAAP operating income for the three months ended June 30, 2010 and 2011 consists of GAAP operating income excluding the following items:
 - the effects of expensing stock-based compensation related to stock options, restricted stock and restricted stock units in accordance with FASB ASC Topic 718 and
 - acquired intangible asset amortization expense.
- Non-GAAP operating margins are calculated by dividing non-GAAP operating income by GAAP total revenue.
- EBITDA is calculated by adding stock-based compensation, depreciation and amortization expense, including the amortization of acquired intangible assets, interest and other (income) expense, net and provision for income taxes to GAAP net income.
- Non-GAAP net income for the three months ended June 30, 2010 and 2011 consists of GAAP net income excluding the following items:
 - stock-based compensation expense recorded during the quarter,
 - acquired intangible asset amortization expense and
 - the related income tax benefit of these excluded items.
- Non-GAAP net income per diluted share is calculated by dividing non-GAAP net income by GAAP weighted average diluted shares outstanding.

eHealth believes that the presentation of these non-GAAP financial measures provide important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations. Management believes that the use of these non-GAAP financial measures provides consistency and comparability with the Company's past financial reports. Management also believes that the exclusion of the items described above provides an additional measure of the Company's operating results and facilitates comparisons of the Company's core operating performance against prior periods and business model objectives. This information is provided to investors in order to facilitate additional analyses of past, present and future operating performance and as a supplemental means to evaluate the Company's ongoing operations. Externally, the Company believes that these non-GAAP financial measures are useful to investors in their assessment of the Company's operating performance.

Non-GAAP operating income, non-GAAP operating margins, EBITDA, non-GAAP net income and non-GAAP net income per diluted share are not calculated in accordance with GAAP, and should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures used in this press release have limitations in that they do not reflect all of the revenue and costs associated with the operations of the Company's business and do not reflect income tax as determined in accordance with GAAP. As a result, you should not consider these measures in isolation or as a substitute for analysis of eHealth's results as reported under GAAP. The Company expects to continue to incur the stock-based

compensation costs and purchased intangible asset amortization costs described above, and exclusion of these costs, and their related income tax benefits, from non-GAAP financial measures should not be construed as an inference that these costs are unusual or infrequent. The Company compensates for these limitations by prominently disclosing GAAP operating income, GAAP operating margins, GAAP net income and GAAP net income per diluted share and providing investors with reconciliations from the Company’s GAAP operating results to the non-GAAP financial measures for the relevant periods.

The accompanying tables provide more details on the GAAP financial measures that are most directly comparable to the non-GAAP financial measures described above and the related reconciliations between these financial measures.

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(Tables to Follow)
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EHEALTH, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, unaudited)

	December 31, 2010	June 30, 2011
Assets	(1)	
Current assets:		
Cash and cash equivalents	\$ 128,074	\$135,893
Accounts receivable	10,810	4,998
Deferred income taxes	5,347	4,227
Prepaid expenses and other current assets	4,361	3,582
Total current assets	148,592	148,700
Property and equipment, net	4,528	4,582
Deferred income taxes	3,119	3,311
Other assets	3,248	5,482
Acquired intangible assets, net	12,262	11,408
Goodwill	14,096	14,096
Total assets	<u>\$ 185,845</u>	<u>\$187,579</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 3,573	\$ 2,405
Accrued compensation and benefits	7,523	6,854
Accrued marketing expenses	3,644	3,414
Deferred revenue	2,785	656
Other current liabilities	2,672	1,636
Total current liabilities	20,197	14,965
Other non-current liabilities	3,451	3,636
Stockholders' equity:		
Common stock	26	26
Additional paid-in capital	203,231	209,110
Treasury stock, at cost	(56,202)	(59,998)
Retained earnings	14,937	19,650
Accumulated other comprehensive income	205	190
Total stockholders' equity	162,197	168,978
Total liabilities and stockholders' equity	<u>\$ 185,845</u>	<u>\$187,579</u>

(1) The condensed consolidated balance sheet at December 31, 2010 has been derived from the audited consolidated financial statements at that date.

EHEALTH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2011	2010	2011
Revenue:				
Commission	\$31,872	\$30,079	\$63,645	\$60,839
Other	4,384	6,107	8,600	12,902
Total revenue	36,256	36,186	72,245	73,741
Operating costs and expenses:				
Cost of revenue	881	2,555	1,859	5,206
Marketing and advertising (1)	13,883	11,668	28,701	24,577
Customer care and enrollment (1)	3,902	4,610	7,848	10,020
Technology and content (1)	4,999	5,415	9,580	10,885
General and administrative (1)	6,554	6,661	12,321	13,382
Amortization of acquired intangible assets	285	427	285	854
Total operating costs and expenses	30,504	31,336	60,594	64,924
Income from operations	5,752	4,850	11,651	8,817
Interest and other income (expense), net	(12)	(21)	16	(40)
Income before provision for income taxes	5,740	4,829	11,667	8,777
Provision for income taxes	2,699	2,097	5,393	4,064
Net income	<u>\$ 3,041</u>	<u>\$ 2,732</u>	<u>\$ 6,274</u>	<u>\$ 4,713</u>
Net income per share:				
Basic	\$ 0.13	\$ 0.13	\$ 0.27	\$ 0.22
Diluted	\$ 0.13	\$ 0.12	\$ 0.26	\$ 0.21
Weighted-average number of shares used in per share amounts:				
Basic	23,529	21,390	23,493	21,371
Diluted	24,266	22,119	24,306	22,079
(1) Includes stock-based compensation expense as follows:				
Marketing and advertising	\$ 201	\$ 276	\$ 408	\$ 522
Customer care and enrollment	88	74	181	181
Technology and content	413	470	856	925
General and administrative	894	1,117	1,804	2,170
Total	<u>\$ 1,596</u>	<u>\$ 1,937</u>	<u>\$ 3,249</u>	<u>\$ 3,798</u>

EHEALTH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2011	2010	2011
Operating activities				
Net income	\$ 3,041	\$ 2,732	\$ 6,274	\$ 4,713
Adjustments to reconcile net income to net cash provided by operating activities:				
Deferred income taxes	2,529	1,887	4,936	3,664
Depreciation and amortization	529	597	1,043	1,266
Amortization of acquired intangible assets	285	427	285	854
Amortization and accretion on marketable securities, net	7	—	50	—
Stock-based compensation expense	1,596	1,937	3,249	3,798
Excess tax benefits from stock-based compensation	(2,602)	(1,464)	(5,237)	(2,553)
Deferred rent	(5)	(11)	2	(20)
Loss on disposal of property and equipment	—	—	6	3
Changes in operating assets and liabilities:				
Accounts receivable	43	1,100	101	6,577
Prepaid expenses and other current assets	644	1,218	687	1,525
Other assets	57	56	91	26
Accounts payable	1,380	211	1	(1,169)
Accrued compensation and benefits	1,701	1,504	676	(679)
Accrued marketing expenses	(377)	(335)	258	(230)
Deferred revenue	(19)	(1,245)	23	(2,129)
Other current liabilities	(645)	(798)	(1,188)	(1,055)
Net cash provided by operating activities	<u>8,164</u>	<u>7,816</u>	<u>11,257</u>	<u>14,591</u>
Investing activities				
Purchases of property and equipment	(880)	(734)	(1,344)	(1,239)
Acquisition of PlanPrescriber, net of cash acquired	(27,203)	—	(27,203)	—
Purchase of other assets	—	(3,004)	—	(3,769)
Maturities of marketable securities	4,200	—	22,100	—
Net cash used in investing activities	<u>(23,883)</u>	<u>(3,738)</u>	<u>(6,447)</u>	<u>(5,008)</u>
Financing activities				
Proceeds from exercise of common stock options	38	46	464	72
Cash used to net-share settle equity awards	—	(2)	(557)	(544)
Excess tax benefits from stock-based compensation	2,602	1,464	5,237	2,553
Repurchases of common stock	—	—	—	(3,796)
Principal payments in connection with capital lease	(11)	(16)	(21)	(30)
Net cash provided by (used in) financing activities	<u>2,629</u>	<u>1,492</u>	<u>5,123</u>	<u>(1,745)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>6</u>	<u>(11)</u>	<u>6</u>	<u>(19)</u>
Net increase (decrease) in cash and cash equivalents	(13,084)	5,559	9,939	7,819
Cash and cash equivalents at beginning of period	154,362	130,334	131,339	128,074
Cash and cash equivalents at end of period	<u>\$141,278</u>	<u>\$135,893</u>	<u>\$141,278</u>	<u>\$135,893</u>

EHEALTH, INC.
SUMMARY OF SELECTED METRICS
(Unaudited)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2011
Key Metrics:		
Operating cash flows (1)	\$ 8,164,000	\$ 7,816,000
IFP submitted applications (2)	117,200	101,600
IFP approved members (3)	93,400	87,600
Total approved members (4)	122,700	124,400
Commission revenue (5)	\$ 31,872,000	\$ 30,079,000
Commission revenue per estimated member for the period (6)	\$ 42.21	\$ 37.47
Total revenue (7)	\$ 36,256,000	\$ 36,186,000
Total revenue per estimated member for the period (8)	\$ 48.02	\$ 45.08
	As of June 30, 2010	As of June 30, 2011
IFP estimated membership (9)	660,500	688,100
Total estimated membership (10)	754,900	804,100
	Three Months Ended June 30, 2010	Three Months Ended June 30, 2011
Marketing and advertising expenses (11)	\$ 13,883,000	\$ 11,668,000
Marketing and advertising expenses as a percentage of total revenue (12)	38%	32%
Other Metrics:		
Source of IFP submitted applications (as a percentage of total IFP applications for the period):		
Direct (13)	44%	45%
Marketing partners (14)	28%	32%
Online advertising (15)	28%	23%
Total	100%	100%

Notes:

- (1) Net cash provided by operating activities for the period from the condensed 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, provides a method for payment 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 and providing an electronic signature. 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.
- (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.
- (5) Commission revenue (from all sources) recognized during the period from the condensed consolidated statements of income.
- (6) Calculated as commission 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). See our *Form 10-K for the year ended December 31, 2010 - Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Summary of Selected Metrics* for additional information regarding our calculation of estimated membership.
- (7) Total revenue (from all sources) recognized during the period from the condensed consolidated statements of income.

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- (8) Calculated as total revenue recognized during the period (see note (7) 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). See our *Form 10-K for the year ended December 31, 2010 - Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Summary of Selected Metrics* for additional information regarding our calculation of estimated membership.
 - (9) Estimated number of members active on IFP insurance policies as of the date indicated. See our *Form 10-K for the year ended December 31, 2010 - Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Summary of Selected Metrics* for additional information regarding our calculation of estimated membership.
 - (10) Estimated number of members active on all insurance policies as of the date indicated. See our *Form 10-K for the year ended December 31, 2010 - Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Summary of Selected Metrics* for additional information regarding our calculation of estimated membership.
 - (11) Marketing and advertising expenses for the period from the condensed consolidated statements of income.
 - (12) Calculated as marketing and advertising expenses for the period (see note (11) above) divided by total revenue for the period (see note (7) above).
 - (13) 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.
 - (14) 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.
 - (15) 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.

EHEALTH, INC.
GAAP TO NON-GAAP RECONCILIATION
FOR THE THREE MONTHS ENDED JUNE 30, 2011
(In thousands, except per share amounts, unaudited)

Statement of Income Reconciliation

	Three Months Ended June 30, 2011				
	GAAP Reported	GAAP Percent of Total Revenue	Adjustments	Non-GAAP Results	Non-GAAP Percent of Total Revenue
Revenue:					
Commission	\$30,079	83 %	\$ —	\$ 30,079	83 %
Other	6,107	17	—	6,107	17
Total revenue	36,186	100	—	36,186	100
Operating costs and expenses:					
Cost of revenue	2,555	7	—	2,555	7
Marketing and advertising (1)	11,668	32	(276)	11,392	31
Customer care and enrollment (1)	4,610	13	(74)	4,536	13
Technology and content (1)	5,415	15	(470)	4,945	14
General and administrative (1)	6,661	18	(1,117)	5,544	15
Amortization of acquired intangible assets (2)	427	1	(427)	—	—
Total operating costs and expenses	31,336	87	(2,364)	28,972	80
Income from operations	4,850	13	2,364	7,214	20
Interest and other income (expense), net	(21)	(0)	—	(21)	(0)
Income before provision for income taxes	4,829	13	2,364	7,193	20
Provision for income taxes (3)	2,097	6	895	2,992	8
Net income (4)	<u>\$ 2,732</u>	<u>8 %</u>	<u>\$ 1,469</u>	<u>\$ 4,201</u>	<u>12 %</u>
Net income per share: (4)					
Basic	\$ 0.13		\$ 0.07	\$ 0.20	
Diluted	\$ 0.12		\$ 0.07	\$ 0.19	
Weighted-average number of shares used in per share amounts:					
Basic	21,390		21,390	21,390	
Diluted	22,119		22,119	22,119	

Explanation of adjustments

- (1) Non-GAAP results exclude the effect of expensing stock-based compensation related to stock options and restricted stock units in accordance with FASB ASC Topic 718.
- (2) Non-GAAP results exclude amortization expense related to acquired intangible assets.
- (3) Non-GAAP provision for income taxes excludes estimated income tax benefit of \$0.9 million related to stock-based compensation expense listed in note (1) above and amortization of acquired intangible assets listed in note (3) above.
- (4) Non-GAAP net income and non-GAAP net income per share exclude stock-based compensation expense listed in note (1) above and amortization of acquired intangible assets listed in note (2) above, less the estimated income tax benefit listed in note (3) above.

EHEALTH, INC.
GAAP TO NON-GAAP RECONCILIATION
FOR THE THREE MONTHS ENDED JUNE 30, 2010
(In thousands, except per share amounts, unaudited)

Statement of Income Reconciliation

	Three Months Ended June 30, 2010				
	GAAP Reported	GAAP Percent of Total Revenue	Adjustments	Non-GAAP Results	Non-GAAP Percent of Total Revenue
Revenue:					
Commission	\$31,872	88%	\$ —	\$ 31,872	88%
Other	4,384	12	—	4,384	12
Total revenue	36,256	100	—	36,256	100
Operating costs and expenses:					
Cost of revenue	881	2	—	881	2
Marketing and advertising (1)	13,883	38	(201)	13,682	38
Customer care and enrollment (1)	3,902	11	(88)	3,814	11
Technology and content (1)	4,999	14	(413)	4,586	13
General and administrative (1)	6,554	18	(894)	5,660	16
Amortization of acquired intangible assets (2)	285	1	(285)	—	—
Total operating costs and expenses	30,504	84	(1,881)	28,623	79
Income from operations	5,752	16	1,881	7,633	21
Interest and other income, net	(12)	(0)	—	(12)	(0)
Income before provision for income taxes	5,740	16	1,881	7,621	21
Provision for income taxes (3)	2,699	7	701	3,400	9
Net income (4)	<u>\$ 3,041</u>	<u>8%</u>	<u>\$ 1,180</u>	<u>\$ 4,221</u>	<u>12%</u>
Net income per share: (4)					
Basic	\$ 0.13		\$ 0.05	\$ 0.18	
Diluted	\$ 0.13		\$ 0.04	\$ 0.17	
Weighted-average number of shares used in per share amounts:					
Basic	23,529		23,529	23,529	
Diluted	24,266		24,266	24,266	

Explanation of adjustments

- (1) Non-GAAP results exclude the effect of expensing stock-based compensation related to stock options and restricted stock units in accordance with FASB ASC Topic 718.
- (2) Non-GAAP results exclude amortization expense related to acquired intangible assets.
- (3) Non-GAAP provision for income taxes excludes estimated income tax benefit of \$0.7 million related to stock-based compensation expense listed in note (1) above and amortization of acquired intangible assets listed in note (3) above.
- (4) Non-GAAP net income and non-GAAP net income per share exclude stock-based compensation expense listed in note (1) above and amortization of acquired intangible assets listed in note (2) above, less the estimated income tax benefit listed in note (3) above.

EHEALTH, INC.
GAAP NET INCOME TO NON-GAAP EBITDA RECONCILIATION
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010 AND 2011
(In thousands, unaudited)

EBITDA Reconciliation

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2011	2010	2011
Net income	\$ 3,041	\$ 2,732	\$ 6,274	\$ 4,713
Stock-based compensation expense (1)	1,596	1,937	3,249	3,798
Depreciation and amortization (2)	529	597	1,043	1,266
Amortization of acquired intangible assets (2)	285	427	285	854
Interest and other (income) expense, net (3)	12	21	(16)	40
Provision for income taxes (4)	2,699	2,097	5,393	4,064
EBITDA	<u>\$ 8,162</u>	<u>\$ 7,811</u>	<u>\$ 16,228</u>	<u>\$ 14,735</u>

Explanation of adjustments

- (1) Non-GAAP EBITDA excludes the effect of expensing stock-based compensation related to stock options, restricted stock and restricted stock units in accordance with FASB ASC Topic 718.
- (2) Non-GAAP EBITDA excludes the effect of depreciation and amortization expense, including amortization of acquired intangible assets from the acquisition of PlanPrescriber, Inc. in April 2010.
- (3) Non-GAAP EBITDA excludes the net effect of interest income and other income and expenses.
- (4) Non-GAAP EBITDA excludes the effect of income tax expense.