

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): October 24, 2019

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.)

2625 AUGUSTINE DRIVE, SECOND FLOOR
SANTA CLARA, CALIFORNIA, 95054
(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))

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common Stock, par value \$0.001 per share | EHTH | The Nasdaq Stock Market LLC |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

On October 24, 2019, eHealth, Inc. (the “Company”) issued a press release announcing its financial results for the third quarter ended September 30, 2019. 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.

On October 24, 2019, the Company posted supplemental investor materials on its investor relations webpage at <http://ir.ehealthinsurance.com>. The Company intends to use its investor relations webpage as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD. A copy of the supplemental investor materials is also furnished as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated herein by reference. The Company does not intend to disclose slides 10 through 12 of these supplemental investor materials in the future, and undertakes no obligation to provide any updates with regard to the information presented therein.

The information in Item 2.02 of this Current Report on Form 8-K and the exhibits attached hereto are intended to be “furnished” and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. Except as shall be expressly set forth by specific reference in such filing, the information contained herein and in the accompanying exhibits 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.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Press Release of eHealth, Inc. dated October 24, 2019 (eHealth, Inc. Announces Third Quarter 2019 Results) |
| 99.2 | Financial Results Conference Call Slides of eHealth, Inc. dated October 24, 2019 |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 24, 2019

eHealth, Inc.

/s/ Derek N. Yung

Derek N. Yung
Chief Financial Officer
(Principal Financial Officer)



eHealth, Inc. Announces Third Quarter 2019 Results

Third Quarter 2019 Overview

- Revenue for the third quarter of 2019 was \$69.9 million, a 72% increase compared to \$40.8 million for the third quarter of 2018.
- GAAP net loss for the third quarter of 2019 was \$11.0 million compared to net loss of \$9.0 million for the third quarter of 2018.
- Adjusted EBITDA was \$(18.8) million for the third quarter of 2019 compared to \$(6.9) million for the third quarter of 2018.
- Net cash used in operating activities for the third quarter of 2019 was \$15.9 million compared to \$4.9 million for the third quarter of 2018.

SANTA CLARA, California — October 24, 2019 — eHealth, Inc. (NASDAQ: EHTH), a leading private online health insurance exchange, announces today its financial results for the third quarter ended September 30, 2019.

Scott Flanders, chief executive officer of eHealth stated, "Strong momentum in our business continued with another quarter of meaningful outperformance against our expectations. Our third quarter results reflect strong revenue and enrollment growth in our Medicare and Individual & Family Plan businesses and a significant investment in our telesales capacity ahead of the Medicare Annual Enrollment Period (AEP). We have entered this AEP from a position of strength, allowing us to recently guide up to the high end of our 2019 revenue and adjusted EBITDA forecast based on the quality and scale of call center resources in place, the acceleration of our online enrollments and strength of consumer demand."

GAAP—Third Quarter of 2019 Results

Revenue — Revenue for the third quarter of 2019 totaled \$69.9 million, a 72% increase compared to \$40.8 million for the third quarter of 2018. Commission revenue for the third quarter of 2019 totaled \$59.8 million, a 78% increase compared to \$33.6 million for the third quarter of 2018. Other revenue for the third quarter of 2019 was \$10.2 million, a 42% increase compared to \$7.1 million for the third quarter of 2018.

Revenue from our Medicare segment was \$57.2 million for the third quarter of 2019, a 75% increase compared to \$32.7 million for the third quarter of 2018. Revenue from our Individual, Family and Small Business segment was \$12.7 million for the third quarter of 2019, a 59% increase compared to \$8.0 million for the third quarter of 2018.

Loss from Operations — Loss from operations for the third quarter of 2019 was \$20.2 million compared to loss from operations of \$15.5 million for the third quarter of 2018. Operating margin was (29)% for the third quarter of 2019 compared to (38)% for the third quarter of 2018.

Pre-tax Loss — Pre-tax loss for the third quarter of 2019 was \$19.7 million compared to pre-tax loss of \$15.2 million for the third quarter of 2018.

Benefit from Income Taxes — Benefit from income taxes for the third quarter of 2019 was \$8.6 million compared to benefit from income taxes of \$6.2 million for the third quarter of 2018.

Net Loss — Net loss for the third quarter of 2019 was \$11.0 million, or \$0.47 net loss per diluted share, compared to net loss of \$9.0 million, or \$0.47 net loss per diluted share, for the third quarter of 2018. Net loss for the third quarter of 2019 included a non-cash gain of \$5.4 million related to a decrease in fair value of the earnout liability assumed in connection with eHealth's acquisition of GoMedigap. The decrease was driven primarily by eHealth's share price decline during the quarter. The share price depreciation has decreased the value of the equity-based portion of the earnout consideration owed to the former holders of GoMedigap equity interests.

Segment Profit (Loss) — Loss from our Medicare segment was \$11.0 million for the third quarter of 2019, compared to a profit of \$0.5 million for the third quarter of 2018. Profit from our Individual, Family and Small Business segment was \$3.8 million for the third quarter of 2019, compared to a loss of \$0.6 million for the third quarter of 2018.

Non-GAAP — Third Quarter of 2019 Results

Non-GAAP Operating Loss & Non-GAAP Net Loss — Non-GAAP operating loss for the third quarter of 2019 was \$19.6 million, compared to non-GAAP operating loss of \$7.6 million for the third quarter of 2018. Non-GAAP operating margin was (28)% for the third quarter of 2019, compared to (19)% for the third quarter of 2018. Non-GAAP net loss for the third quarter of 2019 was \$10.1 million, or \$0.43 non-GAAP net loss per diluted share, compared to non-GAAP net loss of \$4.2 million, or \$0.22 non-GAAP net loss per diluted share, for the third quarter of 2018.

Non-GAAP operating loss and non-GAAP operating margin for the third quarter of 2019 are calculated by excluding \$5.5 million of stock-based compensation expense, a \$5.4 million gain related to the change in fair value of earnout liability related to our acquisition of GoMedigap, and \$0.5 million of amortization of intangible assets from GAAP net operating loss and GAAP operating margin. Non-GAAP net loss and non-GAAP net loss per diluted share for the third quarter of 2019 are calculated by excluding \$5.5 million of stock-based compensation expense, \$5.4 million of gain related to the change in fair value of earnout liability related to our acquisition of GoMedigap, \$0.5 million of amortization of intangible assets and \$0.3 million of the income tax effect of these non-GAAP adjustments from GAAP net loss and GAAP net loss per diluted share. Non-GAAP operating loss and non-GAAP operating margin for the third quarter of 2018 are calculated by excluding \$3.5 million of stock-based compensation expense, \$3.8 million expense for change in fair value of earnout liability related to our acquisition of GoMedigap, and \$0.5 million of amortization of intangible assets from GAAP net operating loss and GAAP operating margin. Non-GAAP net loss and non-GAAP net loss per diluted share for the third quarter of 2018 are calculated by excluding \$3.5 million of stock-based compensation expense, \$3.8 million expense for change in fair value of earnout liability related to our acquisition of GoMedigap, \$0.5 million of amortization of intangible assets, and \$3.1 million of the income tax effect of these non-GAAP adjustments from GAAP net loss and GAAP net loss per diluted share.

Adjusted EBITDA — Adjusted EBITDA was \$(18.8) million for the third quarter of 2019 compared to \$(6.9) million for the third quarter of 2018. Adjusted EBITDA is calculated by adding stock-based compensation, change in fair value of earnout liability related to our acquisition of GoMedigap, depreciation and amortization expense, acquisition costs, restructuring charges, amortization of intangible assets, other income, net, and benefit from income taxes to GAAP net loss.

Submitted Applications, Approved Members and Estimated Membership

Submitted Applications — The number of submitted applications for all Medicare products, which includes Medicare Advantage, Medicare Supplement and Medicare Part D Prescription Drug Plans, was 56,436 in the third quarter of 2019, a 66% increase compared to 33,902 in the third quarter of 2018. The percentage of applications for Medicare Advantage and Medicare Supplement products submitted online through our platform increased from 9% for the third quarter of 2018 to 21% for the third quarter of 2019. The number of submitted applications for major medical Individual and Family plan products increased by 163% in the third quarter of 2019 to 4,379 compared to 1,662 in the third quarter of 2018.

Approved Members — The number of approved members for all Medicare products, which includes Medicare Advantage, Medicare Supplement and Medicare Part D Prescription Drug Plans, was 51,214 in the third quarter of 2019, a 70% increase compared to 30,160 in the third quarter of 2018. The number of approved members for major medical individual and family plan products increased by 76% in the third quarter of 2019 to 3,187 compared to 1,810 in the third quarter of 2018.

Estimated Membership — Total estimated membership as of September 30, 2019 was 991,204, a 12% increase compared to the 887,808 estimated members we reported as of September 30, 2018. Estimated Medicare membership as of September 30, 2019 was 551,068, a 34% increase compared to the 409,888 estimated members we reported as of September 30, 2018. Estimated major medical individual and family plan membership as of September 30, 2019 was 131,058, a 19% decrease compared to the 161,371 estimated members we reported as of September 30, 2018.

Cash — Third Quarter of 2019

Cash Flows — Net cash used in operating activities was \$15.9 million for the third quarter of 2019, compared to net cash used in operating activities of \$4.9 million for the third quarter of 2018.

GAAP—Year-to-Date Results

Revenue — Revenue for the nine months ended September 30, 2019 totaled \$204.5 million, a 76% increase compared to \$116.5 million for the nine months ended September 30, 2018. Commission revenue for the nine months ended September 30, 2019 totaled \$184.6 million, a 76% increase compared to \$105.0 million for the nine months ended September 30, 2018. Other revenue for the nine months ended September 30, 2019 was \$19.9 million, a 72% increase compared to \$11.5 million for the nine months ended September 30, 2018.

Revenue from our Medicare segment was \$164.4 million for the nine months ended September 30, 2019, an 85% increase compared to \$89.0 million for the nine months ended September 30, 2018. Revenue from our Individual, Family and Small Business segment was \$40.1 million for the nine months ended September 30, 2019, a 46% increase compared to \$27.5 million for the nine months ended September 30, 2018.

Loss from Operations — Loss from operations for the nine months ended September 30, 2019 was \$41.7 million compared to loss from operations of \$39.1 million for the nine months ended September 30, 2018. Operating margin was (20)% for the nine months ended September 30, 2019 compared to (34)% for the nine months ended September 30, 2018.

Pre-tax Loss — Pre-tax loss for the nine months ended September 30, 2019 was \$39.9 million compared to pre-tax loss of \$38.3 million for the nine months ended September 30, 2018.

Benefit from Income Taxes — Benefit from income taxes for the nine months ended September 30, 2019 was \$18.0 million compared to benefit from income taxes of \$12.5 million for the nine months ended September 30, 2018.

Net Loss — Net loss for the nine months ended September 30, 2019 was \$21.9 million, or \$0.96 net loss per diluted share, compared to net loss of \$25.8 million, or \$1.36 net loss per diluted share, for the nine months ended September 30, 2018. Net loss for the nine months ended September 30, 2019 included a non-cash charge of \$15.1 million related to an increase in fair value of the earnout liability assumed in connection with eHealth's acquisition of GoMedigap. The increase was driven primarily by eHealth's share price appreciation. The share price appreciation has increased the value of the equity-based portion of the earnout consideration owed to the former holders of GoMedigap equity interests.

Segment Profit — Profit from our Medicare segment was \$5.9 million for the nine months ended September 30, 2019, a 172% increase compared to profit of \$2.2 million for the nine months ended September 30, 2018. Profit from our Individual, Family and Small Business segment was \$15.0 million for the nine months ended September 30, 2019, a 556% increase compared to profit of \$2.3 million for the nine months ended September 30, 2018.

Non-GAAP—Year-to-Date Results

Non-GAAP Operating Loss & Non-GAAP Net Loss — Non-GAAP operating loss for the nine months ended September 30, 2019 was \$11.6 million compared to non-GAAP operating loss of \$20.1 million for the nine months ended September 30, 2018. Non-GAAP operating margin was (6)% for the nine months ended September 30, 2019, compared to (17)% for the nine months ended September 30, 2018. Non-GAAP net loss for the nine months ended September 30, 2019 was \$0.6 million, or \$0.02 non-GAAP net loss per diluted share, compared to non-GAAP net loss of \$13.0 million, or \$0.68 non-GAAP net loss per diluted share, for the nine months ended September 30, 2018.

Non-GAAP operating loss and non-GAAP operating margin for the nine months ended September 30, 2019 are calculated by excluding \$13.4 million of stock-based compensation expense, \$15.1 million of expense for the change in fair value of earnout liability related to our acquisition of GoMedigap, and \$1.6 million of amortization of intangible assets from GAAP operating loss and GAAP operating margin. Non-GAAP net loss and non-GAAP net loss per diluted share for the nine months ended September 30, 2019 are calculated by excluding \$13.4 million of stock-based compensation expense, \$15.1 million of expense for the change in fair value of earnout liability related to our acquisition of GoMedigap, \$1.6 million of amortization of intangible assets and \$8.8 million of the income tax effect of these non-GAAP adjustments from GAAP net loss and GAAP net loss per share. Non-GAAP operating loss and non-GAAP operating margin for the nine months ended September 30, 2018 are calculated by excluding \$9.2 million of stock-based compensation expense, \$6.3 million of expense for change in fair value of earnout liability, \$1.9 million of restructuring charges, \$1.5 million of amortization of intangible assets and \$0.1 million of acquisition costs related to our acquisition of GoMedigap from GAAP net operating loss and GAAP operating margin. Non-GAAP net loss and non-GAAP net loss per diluted share for the nine months ended September 30, 2018 are calculated by excluding \$9.2 million of stock-based compensation expense, \$6.3 million of expense for change in fair value of earnout liability, \$1.9 million of restructuring charges, \$1.5 million of amortization of intangible assets, \$0.1 million of acquisition

costs related to our acquisition of GoMedigap, and \$6.2 million of the income tax effect of these non-GAAP adjustments from GAAP net loss and GAAP net loss per diluted share.

Adjusted EBITDA — Adjusted EBITDA was \$(9.4) million for the nine months ended September 30, 2019 compared to \$(18.2) million for the nine months ended September 30, 2018. Adjusted EBITDA is calculated by adding stock-based compensation, change in fair value of earnout liability related to our acquisition of GoMedigap, depreciation and amortization expense, acquisition costs, restructuring charges, amortization of intangible assets, other income, net and benefit from income taxes to GAAP net loss.

Submitted Applications and Approved Members

Submitted Applications — The number of submitted applications for all Medicare products, which includes Medicare Advantage, Medicare Supplement and Medicare Part D Prescription Drug Plans was 176,770 applications in the nine months ended September 30, 2019, a 72% increase compared to 102,687 in the nine months ended September 30, 2018. The percentage of applications for Medicare Advantage and Medicare Supplement products submitted online through our platform increased from 8% for the nine months ended September 30, 2018 to 15% for the nine months ended September 30, 2019. The number of submitted applications for major medical individual and family plan products increased by 12% in the nine months ended September 30, 2019 to 11,877 compared to 10,578 in the nine months ended September 30, 2018.

Approved Members — The number of approved members for all Medicare products, which includes Medicare Advantage, Medicare Supplement and Medicare Part D Prescription Drug Plans, was 161,682 in the nine months ended September 30, 2019, a 72% increase compared to 93,999 in the nine months ended September 30, 2018. The number of approved members for major medical individual and family plan products decreased by 37% in the nine months ended September 30, 2019 to 17,639 compared to 28,198 in the nine months ended September 30, 2018.

Cash — Year-to-Date Results

Cash Flows — Net cash used in operating activities was \$14.7 million for the nine months ended September 30, 2019 compared to net cash provided by operating activities of \$5.5 million for the nine months ended September 30, 2018.

2019 Guidance

Based on information available as of October 24, 2019, eHealth is reaffirming its guidance for total revenue and adjusted EBITDA for the full year ending December 31, 2019, and updating its guidance for certain GAAP and non-GAAP measures for the full year ending December 31, 2019 due to the third quarter of 2019 reduction in fair value of the earnout liability assumed in connection with eHealth's acquisition of GoMedigap and a change in income tax rate. These expectations are forward-looking statements and eHealth assumes no obligation to update these statements. Actual results may be materially different and are affected by the risk factors and uncertainties identified in this press release and in eHealth's annual and quarterly filings with the Securities and Exchange Commission.

The following guidance is for the full year ending December 31, 2019:

Consistent with our prior guidance,

- Total revenue is expected to be in the range of \$365.0 million to \$385.0 million. Revenue from the Medicare segment is expected to be in the range of \$318.0 million to \$333.0 million. Revenue from the Individual, Family and Small Business segment is expected to be in the range of \$47.0 million to \$52.0 million.
- Adjusted EBITDA^(a) is expected to be in the range of \$65.0 million to \$70.0 million.
- 2019 Medicare segment profit^(b) is expected to be in the range of \$96.0 million to \$99.0 million, and Individual, Family and Small Business segment profit is expected to be in the range of \$10.0 million to \$12.0 million.
- Corporate^(c) shared service expenses, excluding stock-based compensation and depreciation and amortization expense, is expected to be approximately \$41.0 million.
- Cash used in operations is expected to be in the range of \$50.0 million to \$55.0 million, and cash used for capital expenditures is expected to be \$15.0 million to \$17.0 million.

Updated guidance for the full year ending December 31, 2019 due to the third quarter of 2019 reduction in fair value of the earnout liability assumed in connection with our acquisition of GoMedigap during the third quarter of 2019 and a change in income tax rate:

- Assuming the impact of the non-cash charge related to the fair value of the earnout liability in connection with our acquisition of GoMedigap remains at \$15.1 million, we expect GAAP net income for 2019 to be in the range of \$20.9 million to \$25.9 million.
- Assuming the impact of the non-cash charge related to the fair value of the earnout liability in connection with our acquisition of GoMedigap remains at \$0.60 per diluted share, GAAP net income per diluted share for 2019 is expected to be in the range of \$0.83 to \$1.03 per share.
- Assuming the impact of the non-cash charge related to the fair value of the earnout liability in connection with our acquisition of GoMedigap remains at \$0.60 per diluted share, non-GAAP net income per diluted share^(d) is expected to be in the range of \$1.86 to \$2.06 per share.

^(a) Adjusted EBITDA is calculated by adding stock-based compensation, change in fair value of earnout liability, depreciation and amortization expense, amortization of intangible assets, other income, net, and provision for income taxes to GAAP net income.

^(b) Segment profit is calculated as revenue for the applicable segment less Marketing and Advertising, Customer Care and Enrollment, Technology and Content and General and Administrative operating expenses, excluding stock-based compensation, change in fair value of earnout liability, depreciation and amortization expense and amortization of intangible assets, that are directly attributable to the applicable segment and other indirect Marketing and Advertising, Customer Care and Enrollment and Technology and Content operating expenses, excluding stock-based compensation, depreciation and amortization expense and amortization of intangible assets, allocated to the applicable segment based on usage.

^(c) Corporate consists of other indirect General and Administrative operating expenses, excluding stock-based compensation and depreciation and amortization expense, which are managed in a corporate shared services environment and, since they are not the responsibility of segment operating management, are not allocated to the reportable segments.

^(d) Non-GAAP net income per diluted share is calculated by adding stock-based compensation expense per diluted share, change in fair value of earnout liability per diluted share, intangible asset amortization expense per diluted share and the income tax effect of these non-GAAP adjustments to GAAP net income per diluted share.

Webcast and Conference Call Information

A Webcast and conference call will be held today, Thursday, October 24, 2019 at 5:00 p.m. Eastern / 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 (877) 930-8066 for domestic callers and (253) 336-8042 for international callers. The participant passcode is 6089464. A telephone replay will be available two hours following the conclusion of the call for a period of seven days and can be accessed by dialing (855) 859-2056 for domestic callers and (404) 537-3406 for international callers. The call ID for the replay is 6089464. 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) operates eHealth.com, a leading private online health insurance exchange where individuals, families and small businesses can compare health insurance products from leading insurers side by side and purchase and enroll in coverage online. eHealth offers thousands of individual, family and small business health plans underwritten by many of the nation's leading health insurance companies. eHealth (through its subsidiaries) is licensed to sell health insurance in all 50 states and the District of Columbia. eHealth also offers educational resources and powerful online and pharmacy-based tools to help Medicare beneficiaries navigate Medicare health insurance options, choose the right plan and enroll in select plans online through PlanPrescriber.com (www.PlanPrescriber.com), eHealthMedicare.com (www.eHealthMedicare.com), Medicare.com (www.Medicare.com) and GoMedigap.com (www.GoMedigap.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 our expected growth in 2019, our ability to meet the high end of our 2019 revenue and adjusted EBITDA forecast, the quality and scale of our call center resources, the acceleration of our online enrollments, strength of consumer demand, our estimates regarding total membership, Medicare membership, Individual and Family plan membership and ancillary and small business membership, our estimates regarding constrained lifetime values of commissions per member and constraints on lifetime value by product category, and our revised guidance for the full year ending December 31, 2019, including our guidance for total revenue and revenue from our Medicare segment and our Individual, Family and Small Business segment, GAAP net income per diluted share and Non-GAAP net income per diluted share, GAAP net income, Adjusted EBITDA, profit from our Medicare segment and our Individual, Family and Small Business segment, Corporate shared service expense, cash used in operations and cash used for capital expenditures.

These forward-looking statements are inherently subject to various risks and uncertainties that could cause actual results to differ materially from the statements made. In particular, we are required by the revenue recognition standard to make numerous assumptions that are based on historical trends and our management's judgment. These assumptions may change over time and have a material impact on our revenue recognition, guidance, and results of operations. Please review the assumptions stated in this press release carefully.

The risks and uncertainties that could cause our results to differ materially from those expressed or implied by such forward-looking statements include our ability to retain existing members and enroll new members during the annual healthcare open enrollment period and Medicare annual enrollment period; the impact of the annual enrollment period on the purchase of individual and family health insurance and its timing on our recognition of revenue; changes in laws and regulations, including in connection with healthcare reform or with respect to the marketing and sale of Medicare plans; the success of our sale of short-term health insurance; our ability to comply with CMS guidance and the impact on conversion rates from federal exchange changes to enrollment; competition, including competition from government-run health insurance exchanges; the seasonality of our business and the fluctuation of our operating results; changes in consumer behaviors and their selection of individual and family health insurance products, including the selection of products for which we receive lower commissions; changes in product offerings among carriers on our ecommerce platform and the resulting impact on our commission revenue; carriers exiting the market of selling individual and family health insurance and the resulting impact on our supply and commission revenue; our ability to execute on our growth strategy in the Medicare and small business health insurance markets; exposure to security risks and our ability to safeguard the security and privacy of confidential data; the impact of increased health insurance costs on demand; our ability to timely receive and accurately predict the amount of commission payments from health insurance carriers; medical loss ratio requirements; our ability to accurately estimate membership and lifetime value of commissions; our relationships with health insurance carriers; customer concentration and consolidation of the health insurance industry; our success in marketing and selling health insurance plans and our unit cost of acquisition; our ability to hire, train and retain licensed health insurance agents and other employees; the need for health insurance carrier and regulatory approvals in connection with the marketing of Medicare-related insurance products; costs of acquiring new members; scalability of the Medicare business; consumer satisfaction of our service; changes in member conversion rates and our ability to attract and convert online visitors into paying members; changes in commission rates; our ability to sell qualified health insurance plans to subsidy-eligible individuals and to enroll subsidy-eligible individuals through government-run health insurance exchanges; our ability to maintain and enhance our brand identity; our ability to derive desired benefits from investments in our business, including membership growth initiatives; reliance on marketing partners; the impact of our direct-to-consumer email, telephone and television marketing efforts; timing of receipt and accuracy of commission reports; payment practices of health insurance carriers; our ability to successfully make and integrate acquisitions; dependence on our operations in China; the restrictions in our debt obligations; compliance with insurance and other laws and regulations; and the performance, reliability and availability of our ecommerce platform and underlying network infrastructure. 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.

All forward-looking statements in this press release are based on information available to eHealth as of the date hereof, and eHealth does not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made, except as required by law.

Non-GAAP Financial Information

This press release includes financial measures that are not calculated in accordance with U.S. generally accepted accounting principles (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 (loss); non-GAAP operating margins; non-GAAP net income (loss); non-GAAP net income (loss) per diluted share; and adjusted EBITDA.

- Non-GAAP operating income (loss) consists of GAAP operating income (loss) excluding the following items:
 - the effects of expensing stock-based compensation related to stock options and restricted stock units,
 - change in fair value of earnout liability,
 - acquisition costs,
 - restructuring charges, and
 - amortization of intangible assets.
- Non-GAAP operating margins are calculated by dividing non-GAAP operating income (loss) by GAAP total revenue.
- Non-GAAP net income (loss) consists of GAAP net income (loss) excluding the following items:
 - the effects of expensing stock-based compensation related to stock options and restricted stock units,
 - change in fair value of earnout liability,
 - acquisition costs,
 - restructuring charges,
 - amortization of intangible assets, and
 - the income tax impact of non-GAAP adjustments.
- Non-GAAP net income (loss) per diluted share consists of GAAP net income (loss) per diluted share excluding the following items:
 - the effects of expensing stock-based compensation related to stock options and restricted stock units per diluted share,
 - change in fair value of earnout liability per diluted share,
 - acquisition costs per diluted share,
 - restructuring charges per diluted share,
 - amortization of intangible assets per diluted share, and
 - the income tax impact of non-GAAP adjustments per diluted share.
- Adjusted EBITDA is calculated by adding stock-based compensation, change in fair value of earnout liability, depreciation and amortization expense, acquisition costs, restructuring charges, amortization of intangible assets, other income (expense), net and provision (benefit) for income taxes to GAAP net income (loss).

eHealth believes that the presentation of these non-GAAP financial measures provides important supplemental information to management and investors regarding financial and business trends relating to eHealth's financial condition and results of operations. Management believes that the use of these non-GAAP financial measures provides consistency and comparability with eHealth's past financial reports. Management also believes that the items described above provides an additional measure of eHealth's operating results and facilitates comparisons of eHealth'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 eHealth's ongoing operations. eHealth believes that these non-GAAP financial measures are useful to investors in their assessment of eHealth's operating performance.

Non-GAAP operating income (loss), non-GAAP operating margins, non-GAAP net income (loss), non-GAAP net income (loss) per diluted share and Adjusted EBITDA 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 eHealth'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. eHealth 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. eHealth compensates for these limitations by prominently disclosing GAAP operating income (loss), GAAP operating margins, GAAP net income (loss) and GAAP net

income (loss) per diluted share and providing investors with reconciliations from eHealth'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)

EHEALTH, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

| | September 30, 2019 | December 31, 2018 |
|---|--------------------|-------------------|
| Assets | (Unaudited) | |
| Current assets: | | |
| Cash and cash equivalents | \$ 88,070 | \$ 13,089 |
| Accounts receivable | 682 | 3,601 |
| Commissions receivable — current | 127,414 | 134,190 |
| Prepaid expenses and other current assets | 18,180 | 5,288 |
| Total current assets | 234,346 | 156,168 |
| Commissions receivable — non-current | 230,322 | 211,668 |
| Property and equipment, net | 10,401 | 7,684 |
| Operating lease right-of-use assets | 36,551 | — |
| Restricted cash | 3,354 | — |
| Other assets | 15,424 | 11,276 |
| Intangible assets, net | 10,609 | 12,249 |
| Goodwill | 40,233 | 40,233 |
| Total assets | \$ 581,240 | \$ 439,278 |
| | | |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 18,062 | \$ 5,688 |
| Accrued compensation and benefits | 18,139 | 20,763 |
| Accrued marketing expenses | 4,086 | 11,013 |
| Earnout liability — current | 28,300 | 20,730 |
| Lease liabilities — current | 4,317 | — |
| Deferred Revenue | 9,083 | 876 |
| Other current liabilities | 1,671 | 1,549 |
| Total current liabilities | 83,658 | 60,619 |
| Debt | — | 5,000 |
| Earnout liability — non-current | — | 19,270 |
| Deferred income taxes — non-current | 29,735 | 47,901 |
| Lease liabilities — non-current | 34,181 | — |
| Other non-current liabilities | 2,095 | 3,339 |
| Stockholders' equity: | | |
| Common stock | 35 | 31 |
| Additional paid-in capital | 448,409 | 298,024 |
| Treasury stock, at cost | (199,998) | (199,998) |
| Retained earnings | 183,028 | 204,965 |
| Accumulated other comprehensive income | 97 | 127 |
| Total stockholders' equity | 431,571 | 303,149 |
| Total liabilities and stockholders' equity | \$ 581,240 | \$ 439,278 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|------------|---------------------------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue: | | | | |
| Commission | \$ 59,762 | \$ 33,613 | \$ 184,595 | \$ 104,966 |
| Other | 10,151 | 7,138 | 19,858 | 11,512 |
| Total revenue | 69,913 | 40,751 | 204,453 | 116,478 |
| Operating costs and expenses ⁽¹⁾ : | | | | |
| Cost of revenue | 410 | 170 | 782 | 473 |
| Marketing and advertising | 25,812 | 16,148 | 72,857 | 45,756 |
| Customer care and enrollment | 40,144 | 17,272 | 81,567 | 43,730 |
| Technology and content | 12,033 | 7,740 | 31,487 | 23,368 |
| General and administrative | 16,608 | 10,528 | 42,748 | 32,459 |
| Acquisition costs | — | — | — | 76 |
| Change in fair value of earnout liability | (5,400) | 3,800 | 15,106 | 6,300 |
| Restructuring charges | — | — | — | 1,865 |
| Amortization of intangible assets | 547 | 547 | 1,641 | 1,545 |
| Total operating costs and expenses | 90,154 | 56,205 | 246,188 | 155,572 |
| Loss from operations | (20,241) | (15,454) | (41,735) | (39,094) |
| Other income, net | 568 | 296 | 1,824 | 776 |
| Loss before benefit from income taxes | (19,673) | (15,158) | (39,911) | (38,318) |
| Benefit from income taxes | (8,649) | (6,186) | (17,974) | (12,487) |
| Net loss | \$ (11,024) | \$ (8,972) | \$ (21,937) | \$ (25,831) |
| Net loss per share: | | | | |
| Basic and diluted | \$ (0.47) | \$ (0.47) | \$ (0.96) | \$ (1.36) |
| Weighted-average number of shares used in per share amounts: | | | | |
| Basic and diluted | 23,493 | 19,236 | 22,840 | 19,059 |
| ⁽¹⁾ Includes stock-based compensation as follows: | | | | |
| Marketing and advertising | \$ 872 | \$ 545 | \$ 2,212 | \$ 1,477 |
| Customer care and enrollment | 369 | 194 | 927 | 565 |
| Technology and content | 729 | 388 | 1,946 | 1,115 |
| General and administrative | 3,540 | 2,416 | 8,332 | 6,067 |
| Restructuring charges | — | — | — | 251 |
| Total stock-based compensation expense | \$ 5,510 | \$ 3,543 | \$ 13,417 | \$ 9,475 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|------------|---------------------------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Operating activities | | | | |
| Net loss | \$ (11,024) | \$ (8,972) | \$ (21,937) | \$ (25,831) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities: | | | | |
| Deferred income taxes | (8,631) | (6,197) | (18,166) | (12,679) |
| Depreciation and amortization | 765 | 620 | 2,153 | 1,870 |
| Amortization of internally developed software | 930 | 572 | 2,443 | 1,583 |
| Amortization of intangible assets | 547 | 547 | 1,641 | 1,545 |
| Stock-based compensation expense | 5,510 | 3,543 | 13,417 | 9,475 |
| Change in fair value of earnout liability | (5,400) | 3,800 | 15,106 | 6,300 |
| Change in deferred rent | — | 12 | (1,272) | 326 |
| Other non-cash items | 112 | (1) | 336 | 61 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | 377 | (1,294) | 2,920 | (665) |
| Commissions receivable | (16,321) | 1,661 | (11,878) | 29,156 |
| Prepaid expenses and other assets | (6,650) | (7,089) | (9,346) | (8,209) |
| Accounts payable | 13,008 | 2,715 | 13,155 | 1,513 |
| Accrued compensation and benefits | 2,874 | 1,517 | (2,624) | (2,081) |
| Accrued marketing expenses | 415 | 316 | (6,927) | (1,635) |
| Deferred revenue | 8,325 | 4,978 | 8,207 | 5,354 |
| Accrued expenses and other liabilities | (776) | (1,676) | (1,942) | (595) |
| Net cash (used in) provided by operating activities | (15,939) | (4,948) | (14,714) | 5,488 |
| Investing activities | | | | |
| Capitalized internal-use software and website development costs | (2,923) | (1,581) | (6,356) | (4,344) |
| Purchases of property and equipment and other assets | (1,830) | (2,349) | (5,616) | (3,471) |
| Payments for security deposits | 824 | — | (72) | — |
| Acquisition of business, net of cash acquired | — | — | — | (14,929) |
| Cash used in investing activities | (3,929) | (3,930) | (12,044) | (22,744) |
| Financing activities | | | | |
| Proceeds from issuance of common stock, net of issuance costs | — | — | 126,051 | — |
| Net proceeds from exercise of common stock options | 1,913 | 1,362 | 5,168 | 2,030 |
| Cash used to net-share settle equity awards | (8,059) | (1,656) | (11,511) | (3,398) |
| Debt issuance cost payments | — | (1,172) | — | (1,172) |
| Repayment of debt | — | — | (5,000) | — |
| Acquisition-related contingent payments | — | — | (9,542) | — |
| Principal payments in connection with finance leases | (31) | (26) | (81) | (78) |
| Net cash (used in) provided by financing activities | (6,177) | (1,492) | 105,085 | (2,618) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (21) | (56) | 8 | (71) |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (26,066) | (10,426) | 78,335 | (19,945) |
| Cash, cash equivalents and restricted cash at beginning of period | 117,490 | 30,774 | 13,089 | 40,293 |
| Cash, cash equivalents and restricted cash at end of period ⁽¹⁾ | \$ 91,424 | \$ 20,348 | \$ 91,424 | \$ 20,348 |

⁽¹⁾ The ending balance of cash, cash equivalents and restricted cash included \$3.4 million of restricted cash as of September 30, 2019. There was no restricted cash as of December 31, 2018.

EHEALTH, INC.
SEGMENT INFORMATION
(In thousands, unaudited)

| | Three Months Ended September 30, | | Percent Change | Nine Months Ended September 30, | | Percent Change |
|--|----------------------------------|-------------|----------------|---------------------------------|-------------|----------------|
| | 2019 | 2018 | | 2019 | 2018 | |
| Revenue | | | | | | |
| Medicare ⁽¹⁾ | \$ 57,189 | \$ 32,733 | 75 % | \$ 164,357 | \$ 88,964 | 85 % |
| Individual, Family and Small Business ⁽²⁾ | 12,724 | 8,018 | 59 % | 40,096 | 27,514 | 46 % |
| Total revenue | \$ 69,913 | \$ 40,751 | 72 % | \$ 204,453 | \$ 116,478 | 76 % |
| Segment profit (loss) | | | | | | |
| Medicare segment profit (loss) ⁽³⁾ | \$ (11,004) | \$ 467 | (2,456)% | \$ 5,917 | \$ 2,174 | 172 % |
| Individual, Family and Small Business segment profit (loss) ⁽³⁾ | 3,753 | (579) | 748 % | 15,045 | 2,292 | 556 % |
| Total segment profit (loss) | (7,251) | (112) | (6,374)% | 20,962 | 4,466 | 369 % |
| Corporate ⁽⁴⁾ | (11,568) | (6,832) | 69 % | (30,380) | (22,680) | 34 % |
| Stock-based compensation expense | (5,510) | (3,543) | 56 % | (13,417) | (9,224) | 45 % |
| Depreciation and amortization | (765) | (620) | 23 % | (2,153) | (1,870) | 15 % |
| Acquisition costs | — | — | — % | — | (76) | (100)% |
| Change in fair value of earnout liability | 5,400 | (3,800) | (242)% | (15,106) | (6,300) | 140 % |
| Restructuring charges | — | — | — % | — | (1,865) | (100)% |
| Amortization of intangible assets | (547) | (547) | — % | (1,641) | (1,545) | 6 % |
| Other income, net | 568 | 296 | 92 % | 1,824 | 776 | 135 % |
| Loss before benefit from income taxes | \$ (19,673) | \$ (15,158) | 30 % | \$ (39,911) | \$ (38,318) | 4 % |

Segment Information

We evaluate our business performance and manage our operations as two distinct reporting segments:

- Medicare; and
- Individual, Family and Small Business.

- ⁽¹⁾ The Medicare segment consists primarily of amounts earned from our sale of Medicare-related health insurance plans, including Medicare Advantage, Medicare Supplement and Medicare Part D prescription drug plans, and to a lesser extent, ancillary products sold to our Medicare-eligible customers, including but not limited to, dental and vision, our advertising program that allows Medicare-related carriers to purchase advertising on a separate website developed, hosted and maintained by us, and our delivery and sale to third parties of Medicare-related health insurance leads generated by our ecommerce platforms and our marketing activities.
- ⁽²⁾ The Individual, Family and Small Business segment consists primarily of amounts earned from our sale of individual, family and small business health insurance plans and ancillary products sold to our non-Medicare-eligible customers, including but not limited to, dental, vision, and short-term insurance. To a lesser extent, the Individual, Family and Small Business segment consists of amounts earned from our online sponsorship program that allows carriers to purchase advertising space in specific markets in a sponsorship area on our website, our licensing to third parties the use of our health insurance ecommerce technology, and our delivery and sale to third parties of individual and family health insurance leads generated by our ecommerce platforms and our marketing activities.
- ⁽³⁾ Segment profit (loss) is calculated as revenue for the applicable segment less marketing and advertising, customer care and enrollment, technology and content and general and administrative operating expenses, excluding stock-based compensation, depreciation and amortization expense, acquisition costs, change in fair value of earnout liability, restructuring charges and amortization of intangible assets, that are directly attributable to the applicable segment and other indirect marketing and advertising, customer care and enrollment and technology and content operating expenses, excluding stock-based compensation, depreciation and amortization expense and amortization of intangible assets, allocated to the applicable segment based on usage.
- ⁽⁴⁾ Corporate consists of other indirect general and administrative operating expenses, excluding stock-based compensation, depreciation and amortization expense, which are managed in a corporate shared services environment and, because they are not the responsibility of segment operating management, are not allocated to the reportable segments.

EHEALTH, INC.
SUMMARY OF SELECTED METRICS
COMMISSION REVENUE BY PRODUCT
(In thousands, unaudited)

| | Three Months Ended September 30, | | Percent Change | Nine Months Ended September 30, | | Percent Change |
|--------------------------------------|----------------------------------|-----------|----------------|---------------------------------|------------|----------------|
| | 2019 | 2018 | | 2019 | 2018 | |
| Medicare | | | | | | |
| Medicare Advantage | \$ 36,735 | \$ 17,976 | 104 % | \$ 113,185 | \$ 57,649 | 96 % |
| Medicare Supplement | 8,229 | 7,358 | 12 % | 25,082 | 18,305 | 37 % |
| Medicare Part D | 1,805 | 1,005 | 80 % | 5,906 | 2,879 | 105 % |
| Total Medicare | 46,769 | 26,339 | 78 % | 144,173 | 78,833 | 83 % |
| Individual and Family ⁽¹⁾ | | | | | | |
| Non-Qualified Health Plans | 3,146 | 876 | 259 % | 11,592 | 3,386 | 242 % |
| Qualified Health Plans | 839 | 1,169 | (28)% | 4,900 | 5,006 | (2)% |
| Total Individual and Family | 3,985 | 2,045 | 95 % | 16,492 | 8,392 | 97 % |
| Ancillaries | | | | | | |
| Short-term | 3,151 | 1,699 | 85 % | 7,162 | 4,242 | 69 % |
| Dental | 1,420 | 245 | 480 % | 3,138 | 1,611 | 95 % |
| Vision | 537 | 126 | 326 % | 1,294 | 857 | 51 % |
| Other | 1,104 | 1,006 | 10 % | 2,778 | 3,659 | (24)% |
| Total Ancillaries | 6,212 | 3,076 | 102 % | 14,372 | 10,369 | 39 % |
| Small Business | 1,938 | 1,697 | 14 % | 6,576 | 5,828 | 13 % |
| Commission Bonus | 858 | 456 | 88 % | 2,982 | 1,544 | 93 % |
| Total Commission Revenue | \$ 59,762 | \$ 33,613 | 78 % | \$ 184,595 | \$ 104,966 | 76 % |

⁽¹⁾ We define our individual and family plan offerings as major medical individual and family health insurance plans, which does not include Medicare-related, small business or ancillary plans. Individual and family health insurance plans include both qualified and non-qualified plans. Qualified health plans are individual and family health insurance plans that meet the requirements of the Affordable Care Act and are offered through the government-run health insurance exchange in the relevant jurisdiction. Non-qualified health plans are individual and family health insurance plans that meet the requirements of the Affordable Care Act and are not offered through the exchange in the relevant jurisdiction. Individuals that purchase non-qualified health plans cannot receive a subsidy in connection with the purchase of those plans.

EHEALTH, INC.
SUMMARY OF SELECTED METRICS
SUBMITTED APPLICATIONS
(Unaudited)

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|--------------------------------------|----------------------------------|--------|----------------|---------------------------------|---------|----------------|
| | 2019 | 2018 | Percent Change | 2019 | 2018 | Percent Change |
| Medicare ⁽¹⁾ | | | | | | |
| Medicare Advantage ⁽²⁾ | 37,915 | 21,115 | 80 % | 120,855 | 69,060 | 75 % |
| Medicare Supplement ⁽²⁾ | 11,099 | 8,924 | 24 % | 31,936 | 22,180 | 44 % |
| Medicare Part D | 7,422 | 3,863 | 92 % | 23,979 | 11,447 | 109 % |
| Total Medicare | 56,436 | 33,902 | 66 % | 176,770 | 102,687 | 72 % |
| Individual and Family ⁽³⁾ | | | | | | |
| Non-Qualified Health Plans | 3,131 | 1,224 | 156 % | 8,343 | 6,419 | 30 % |
| Qualified Health Plans | 1,248 | 438 | 185 % | 3,534 | 4,159 | (15)% |
| Total Individual and Family | 4,379 | 1,662 | 163 % | 11,877 | 10,578 | 12 % |
| Ancillaries ⁽⁴⁾ | | | | | | |
| Short-term | 13,977 | 30,365 | (54)% | 42,442 | 75,639 | (44)% |
| Dental | 8,609 | 9,111 | (6)% | 28,972 | 31,428 | (8)% |
| Vision | 3,654 | 4,318 | (15)% | 13,245 | 14,111 | (6)% |
| Other | 5,871 | 10,641 | (45)% | 18,612 | 32,759 | (43)% |
| Total Ancillaries | 32,111 | 54,435 | (41)% | 103,271 | 153,937 | (33)% |
| Small Business ⁽⁵⁾ | | | | | | |
| | 1,566 | 1,843 | (15)% | 5,348 | 5,235 | 2 % |
| Total Submitted Applications | 94,492 | 91,842 | 3 % | 297,266 | 272,437 | 9 % |

Submitted Applications

Applications are counted as submitted when the applicant completes the application and either clicks the submit button on our website or provides verbal authorization to submit the application. The applicant may have additional actions to take before the application will be reviewed by the insurance carrier, such as providing additional information. In addition, an applicant may submit more than one application.

| | |
|----------------|---|
| ⁽¹⁾ | Medicare-related health insurance applications submitted on our website or through our customer care center during the period, including Medicare Advantage, Medicare Supplement and Medicare Part D prescription drug plans. |
| ⁽²⁾ | The percentage of applications for Medicare Advantage and Medicare Supplement products submitted online through our platform increased from 9% for the three months ended September 30, 2018 to 21% for the three months ended September 30, 2019. The percentage of applications for Medicare Advantage and Medicare Supplement products submitted online through our platform increased from 8% for the nine months ended September 30, 2018 to 15% for the nine months ended September 30, 2019. |
| ⁽³⁾ | Major medical individual and family plan ("IFP") health insurance applications submitted on our website during the period. An applicant may submit more than one application. We define our IFP offerings as major medical individual and family health insurance plans, which does not include Medicare-related, small business or ancillary plans. |
| ⁽⁴⁾ | Ancillaries consists primarily of short-term, dental and vision insurance plans submitted on our website during the period. |
| ⁽⁵⁾ | Applications for small business health insurance are counted as submitted when the applicant completes the application, the employees complete their applications, the applicant submits the application to us and we submit the application to the carrier. |

EHEALTH, INC.
SUMMARY OF SELECTED METRICS
APPROVED MEMBERS
(Unaudited)

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|------------------------------|----------------------------------|--------|----------------|---------------------------------|---------|----------------|
| | 2019 | 2018 | Percent Change | 2019 | 2018 | Percent Change |
| Medicare | | | | | | |
| Medicare Advantage | 35,171 | 19,664 | 79 % | 112,488 | 65,102 | 73 % |
| Medicare Supplement | 9,110 | 6,985 | 30 % | 26,510 | 17,667 | 50 % |
| Medicare Part D | 6,933 | 3,511 | 97 % | 22,684 | 11,230 | 102 % |
| Total Medicare | 51,214 | 30,160 | 70 % | 161,682 | 93,999 | 72 % |
| Individual and Family | | | | | | |
| Non-Qualified Health Plans | 2,245 | 1,227 | 83 % | 10,250 | 11,715 | (13)% |
| Qualified Health Plans | 942 | 583 | 62 % | 7,389 | 16,483 | (55)% |
| Total Individual and Family | 3,187 | 1,810 | 76 % | 17,639 | 28,198 | (37)% |
| Ancillaries | | | | | | |
| Short-term | 15,630 | 32,723 | (52)% | 44,691 | 79,683 | (44)% |
| Dental | 9,487 | 9,256 | 2 % | 32,021 | 32,720 | (2)% |
| Vision | 4,265 | 4,539 | (6)% | 15,108 | 15,578 | (3)% |
| Other | 6,296 | 8,716 | (28)% | 17,654 | 25,447 | (31)% |
| Total Ancillaries | 35,678 | 55,234 | (35)% | 109,474 | 153,428 | (29)% |
| Small Business | 2,871 | 3,255 | (12)% | 10,368 | 12,013 | (14)% |
| Total Approved Members | 92,950 | 90,459 | 3 % | 299,163 | 287,638 | 4 % |

Approved Members

Approved members represents the number of individuals on submitted applications that were approved by the relevant insurance carrier for the identified product during the relevant period. Approved members may not pay for their plan and become paying members.

EHEALTH, INC.
SUMMARY OF SELECTED METRICS
ESTIMATED MEMBERSHIP
(Unaudited)

| | As of September 30, | | Percent Change |
|--------------------------------------|---------------------|---------|----------------|
| | 2019 | 2018 | |
| Medicare ⁽¹⁾ | | | |
| Medicare Advantage | 309,180 | 235,269 | 31 % |
| Medicare Supplement | 85,821 | 64,632 | 33 % |
| Medicare Part D | 156,067 | 109,987 | 42 % |
| Total Medicare | 551,068 | 409,888 | 34 % |
| Individual and Family ⁽²⁾ | 131,058 | 161,371 | (19)% |
| Ancillaries ⁽³⁾ | | | |
| Short-term | 24,167 | 25,008 | (3)% |
| Dental | 131,409 | 142,990 | (8)% |
| Vision | 72,765 | 71,875 | 1 % |
| Other | 36,014 | 38,380 | (6)% |
| Total Ancillaries | 264,355 | 278,253 | (5)% |
| Small Business ⁽⁴⁾ | 44,723 | 38,296 | 17 % |
| Total Estimated Membership | 991,204 | 887,808 | 12 % |

Estimated Membership

Estimated membership represents the estimated number of members active as of the date indicated based on the number of members for whom we have received or applied a commission payment during the month of estimation.

⁽¹⁾ For Medicare-related health insurance plans, we take the sum of (i) the number of members for whom we have received or applied a commission payment for a month that is up to two months prior to the date of estimation (after reducing that number using historical experience for assumed member cancellations over the period being estimated); and (ii) the number of approved members over that period (after reducing that number using historical experience for an assumed number of members who do not accept their approved policy from the same month of the previous year and for estimated member cancellations through the date of the estimate). To the extent we determine we have received substantially all of the commission payments related to a given month during the period being estimated, we will take the number of members for whom we have received or applied a commission payment during the month of estimation. The estimated number of members active on Medicare-related health insurance as of the date indicated is based on the number of members for whom we have received or applied a commission payment during the month of estimation.

⁽²⁾ To estimate the number of members on individual and family health insurance plans, we take the sum of (i) the number of IFP members for whom we have received or applied a commission payment for a month that is up to six months prior to the date of estimation (after reducing that number using historical experience for assumed member cancellations over the period being estimated); and (ii) the number of approved members over that period (after reducing that number by the percentage of members who do not accept their approved policy from the same month of the previous year for estimated member cancellations through the date of the estimate). To the extent we determine we have received substantially all of the commission payments related to a given month during the period being estimated, we will take the number of members for whom we have received or applied a commission payment during the month of estimation. For IFP health insurance plans, a member who purchases and is active on multiple standalone insurance plans will be counted as a member more than once. For example, a member who is active on both an individual and family health insurance plan and a standalone dental plan will be counted as two continuing members.

EHEALTH, INC.
SUMMARY OF SELECTED METRICS
ESTIMATED MEMBERSHIP (Continued)
(Unaudited)

- | | |
|-----|---|
| (3) | For ancillary health insurance plans (such as short-term, dental and vision insurance), we take the sum of (i) the number of members for whom we have received or applied a commission payment for a month that is up to three months prior to the date of estimation (after reducing that number using historical experience for assumed member cancellations over the period being estimated); and (ii) the number of approved members over that period (after reducing that number using historical experience for an assumed number of members who do not accept their approved policy from the same month of the previous year and for estimated member cancellations through the date of the estimate). To the extent we determine we have received substantially all of the commission payments related to a given month during the period being estimated, we will take the number of members for whom we have received or applied a commission payment during the month of estimation. The one to three-month period varies by insurance product and is largely dependent upon the timeliness of commission payment and related reporting from the related carriers. |
| (4) | For small business health insurance plans, we estimate the number of 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. Health insurance carriers often do not communicate policy cancellation information or group size changes to us. We often are made aware of policy cancellations and group size changes at the time of annual renewal and update our membership statistics accordingly in the period they are reported. |

Health insurance carriers bill and collect insurance premiums paid by our members. The carriers 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.

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 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 do not update our estimated membership numbers reported in previous periods. Instead, we reflect updated information regarding our historical membership in the membership estimate for the current period. As a result of the delay in our receipt of information from insurance carriers, actual trends in our membership are most discernible over periods longer than from one quarter to the next. 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 conditions on our membership retention. Healthcare reform and its impacts as well as other factors could cause the assumptions and estimates that we make in connection with estimating our membership to be inaccurate, which would cause our membership estimates to be inaccurate.

EHEALTH, INC.
SUMMARY OF SELECTED METRICS
CONSTRAINED LIFETIME VALUE OF
COMMISSIONS PER APPROVED MEMBER
(Unaudited)

| | Three Months Ended September 30, | | Percent Change |
|---|----------------------------------|----------|----------------|
| | 2019 | 2018 | |
| Medicare | | | |
| Medicare Advantage ⁽¹⁾ | \$ 923 | \$ 914 | 1 % |
| Medicare Supplement ⁽¹⁾ | \$ 951 | \$ 1,058 | (10)% |
| Medicare Part D ⁽¹⁾ | \$ 265 | \$ 286 | (7)% |
| Individual and Family | | | |
| Non-Qualified Health Plans ⁽¹⁾ | \$ 173 | \$ 119 | 45 % |
| Qualified Health Plans ⁽¹⁾ | \$ 165 | \$ 115 | 43 % |
| Ancillaries | | | |
| Short-term ⁽¹⁾ | \$ 112 | \$ 55 | 104 % |
| Dental ⁽¹⁾ | \$ 65 | \$ 62 | 5 % |
| Vision ⁽¹⁾ | \$ 45 | \$ 47 | (4)% |
| Small Business ⁽²⁾ | \$ 168 | \$ 163 | 3 % |

Constrained Lifetime Value of Commissions Per Approved Member

⁽¹⁾ Constrained lifetime value ("LTV") of commissions per approved member represents commissions estimated to be collected over the estimated life of an approved member's policy after applying constraints in accordance with our revenue recognition policy. The estimate is driven by multiple factors, including but not limited to, contracted commission rates, carrier mix, expected plan duration and applied constraints. These factors may result in varying values from period to period.

⁽²⁾ For small business, the amount represents the estimated commissions we expect to collect from the plan over the following twelve months. The estimate is driven by multiple factors, including but not limited to, contracted commission rates, carrier mix, expected plan duration and applied constraints. These factors may result in varying values from period to period.

EHEALTH, INC.
SUMMARY OF SELECTED METRICS
CONSTRAINTS ON LIFETIME VALUE
OF COMMISSIONS PER APPROVED MEMBER
(Unaudited)

| | Three and Nine Months Ended September 30, | |
|----------------------------|---|------|
| | 2019 | 2018 |
| Medicare | | |
| Medicare Advantage | 7% | 7% |
| Medicare Supplement | 5% | 5% |
| Medicare Part D | 5% | 5% |
| Individual and Family | | |
| Non-Qualified Health Plans | 15% | 15% |
| Qualified Health Plans | 20% | 20% |
| Ancillaries | 10% | 10% |
| Small Business | —% | —% |

Constraints on Lifetime Value of Commissions Per Approved Member

Constraints are applied to derive LTV of commissions per approved member for revenue recognition in accordance with our revenue recognition policy. The constraints are applied to help ensure that commissions estimated to be collected over the estimated life of an approved member's plan are recognized as revenue only to the extent that is it probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with future commissions receivable from the plan is subsequently resolved. We evaluate constraints on an annual basis for factors affecting our estimate of LTV of commissions per approved member and apply management judgment to determine the constraints based on current trends impacting our business.

EHEALTH, INC.
SUMMARY OF SELECTED METRICS
EXPENSE METRICS PER APPROVED MEMBER
(Unaudited)

| | Three Months Ended September 30, | | Percent Change |
|--|----------------------------------|---------------|----------------|
| | 2019 | 2018 | |
| Medicare variable cost per approved member | | | |
| Medicare variable marketing cost per approved Medicare Advantage ("MA")-equivalent member ⁽¹⁾ | \$ 381 | \$ 356 | 7% |
| Medicare customer care and enrollment ("CC&E") cost per approved MA-equivalent member ⁽²⁾ | \$ 819 | \$ 538 | 52% |
| Total Medicare cost per approved member | <u>\$ 1,200</u> | <u>\$ 894</u> | 34% |
| Individual and Family Plan ("IFP") variable cost per approved member | | | |
| IFP variable marketing cost per approved IFP-equivalent member ⁽³⁾ | \$ 80 | \$ 77 | 4% |
| IFP CC&E cost per approved IFP-equivalent member ⁽⁴⁾ | \$ 167 | \$ 97 | 72% |
| Total IFP cost per approved member | <u>\$ 247</u> | <u>\$ 174</u> | 42% |

Expense Metrics Per Approved Member

- ⁽¹⁾ Variable marketing cost per approved MA-equivalent member represents direct costs incurred in member acquisition for Medicare Advantage, Medicare Supplement and Medicare Part D plans from our direct marketing partners and online advertising channels divided by MA-equivalent approved members in a given period. MA-equivalent members is a derived metric and is equal to the sum of Medicare Part D approved members divided by 4, the number of Medicare Advantage approved members and the number of Medicare Supplement approved members in the given period.
- ⁽²⁾ Medicare CC&E cost per approved MA-equivalent member is equal to the CC&E expense of our Medicare business included in our operating costs divided by MA-equivalent approved members in a given period. MA-equivalent approved members is a derived metric and is equal to the sum of Medicare Part D approved members divided by 4, the number of Medicare Advantage approved members and the number of Medicare Supplement approved members in the given period.
- ⁽³⁾ Variable marketing cost per approved IFP-equivalent member represents direct costs incurred in member acquisition for IFP plans from our direct, marketing partners and online advertising channels divided by IFP-equivalent approved members in a given period. IFP-equivalent approved members is a derived metric and is equal to the sum of the number of short-term approved members divided by 3 and the IFP approved members in the given period.
- ⁽⁴⁾ IFP CC&E cost per approved IFP-equivalent member is equal to the CC&E expense of our IFP business included in our operating costs divided by IFP-equivalent approved members in a given period. IFP-equivalent approved members is a derived metric and is equal to the sum of the number of short-term approved members divided by 3 and the IFP approved members in the given period.

EHEALTH, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(In thousands, except per share amounts, unaudited)

| | Three Months Ended September 30, | | | |
|--|----------------------------------|--------------------------|-------------------|--------------------------|
| | 2019 | | 2018 | |
| | Amount | Percent of Total Revenue | Amount | Percent of Total Revenue |
| GAAP marketing and advertising expense | \$ 25,812 | 37% | \$ 16,148 | 40% |
| Stock-based compensation expense ⁽¹⁾ | (872) | (1)% | (545) | (1)% |
| Non-GAAP marketing and advertising expense | <u>\$ 24,940</u> | <u>36%</u> | <u>\$ 15,603</u> | <u>38%</u> |
| GAAP customer care and enrollment expense | \$ 40,144 | 57% | \$ 17,272 | 42% |
| Stock-based compensation expense ⁽¹⁾ | (369) | (1)% | (194) | —% |
| Non-GAAP customer care and enrollment expense | <u>\$ 39,775</u> | <u>57%</u> | <u>\$ 17,078</u> | <u>42%</u> |
| GAAP technology and content expense | \$ 12,033 | 17% | \$ 7,740 | 19% |
| Stock-based compensation expense ⁽¹⁾ | (729) | (1)% | (388) | (1)% |
| Non-GAAP technology and content expense | <u>\$ 11,304</u> | <u>16%</u> | <u>\$ 7,352</u> | <u>18%</u> |
| GAAP general and administrative expense | \$ 16,608 | 24% | \$ 10,528 | 26% |
| Stock-based compensation expense ⁽¹⁾ | (3,540) | (5)% | (2,416) | (6)% |
| Non-GAAP general and administrative expense | <u>\$ 13,068</u> | <u>19%</u> | <u>\$ 8,112</u> | <u>20%</u> |
| GAAP operating costs and expenses | \$ 90,154 | 129% | \$ 56,205 | 138% |
| Stock-based compensation expense ⁽¹⁾ | (5,510) | (8)% | (3,543) | (9)% |
| Change in fair value of earnout liability ⁽²⁾ | 5,400 | 8% | (3,800) | (9)% |
| Amortization of intangible assets ⁽³⁾ | (547) | (1)% | (547) | (1)% |
| Non-GAAP operating costs and expenses | <u>\$ 89,497</u> | <u>128%</u> | <u>\$ 48,315</u> | <u>119%</u> |
| GAAP loss from operations | \$ (20,241) | (29)% | \$ (15,454) | (38)% |
| Stock-based compensation expense ⁽¹⁾ | 5,510 | 8% | 3,543 | 9% |
| Change in fair value of earnout liability ⁽²⁾ | (5,400) | (8)% | 3,800 | 9% |
| Amortization of intangible assets ⁽³⁾ | 547 | 1% | 547 | 1% |
| Non-GAAP loss from operations | <u>\$ (19,584)</u> | <u>(28)%</u> | <u>\$ (7,564)</u> | <u>(19)%</u> |

Explanation of Adjustments

⁽¹⁾ Non-GAAP loss from operations and non-GAAP expenses exclude the effect of expensing stock-based compensation related to stock options and restricted stock units.

⁽²⁾ Non-GAAP operating costs and expenses and non-GAAP loss from operations exclude the change in fair value of earnout liability related to the acquisition of GoMedigap, which was completed in January 2018.

⁽³⁾ Non-GAAP operating costs and expenses and non-GAAP loss from operations exclude amortization of intangible assets.

EHEALTH, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(In thousands, except per share amounts, unaudited)

| | Nine Months Ended September 30, | | | |
|--|---------------------------------|--------------------------|--------------------|--------------------------|
| | 2019 | | 2018 | |
| | Amount | Percent of Total Revenue | Amount | Percent of Total Revenue |
| GAAP marketing and advertising expense | \$ 72,857 | 36% | \$ 45,756 | 39% |
| Stock-based compensation expense ⁽¹⁾ | (2,212) | (1)% | (1,477) | (1)% |
| Non-GAAP marketing and advertising expense | <u>\$ 70,645</u> | <u>35%</u> | <u>\$ 44,279</u> | <u>38%</u> |
| GAAP customer care and enrollment expense | \$ 81,567 | 40% | \$ 43,730 | 38% |
| Stock-based compensation expense ⁽¹⁾ | (927) | —% | (565) | —% |
| Non-GAAP customer care and enrollment expense | <u>\$ 80,640</u> | <u>39%</u> | <u>\$ 43,165</u> | <u>37%</u> |
| GAAP technology and content expense | \$ 31,487 | 15% | \$ 23,368 | 20% |
| Stock-based compensation expense ⁽¹⁾ | (1,946) | (1)% | (1,115) | (1)% |
| Non-GAAP technology and content expense | <u>\$ 29,541</u> | <u>14%</u> | <u>\$ 22,253</u> | <u>19%</u> |
| GAAP general and administrative expense | \$ 42,748 | 21% | \$ 32,459 | 28% |
| Stock-based compensation expense ⁽¹⁾ | (8,332) | (4)% | (6,067) | (5)% |
| Non-GAAP general and administrative expense | <u>\$ 34,416</u> | <u>17%</u> | <u>\$ 26,392</u> | <u>23%</u> |
| GAAP operating costs and expenses | \$ 246,188 | 120% | \$ 155,572 | 134% |
| Stock-based compensation expense ⁽¹⁾ | (13,417) | (7)% | (9,224) | (8)% |
| Change in fair value of earnout liability ⁽²⁾ | (15,106) | (7)% | (6,300) | (5)% |
| Acquisition costs ⁽³⁾ | — | —% | (76) | —% |
| Restructuring charges ⁽⁴⁾ | — | —% | (1,865) | (2)% |
| Amortization of intangible assets ⁽⁵⁾ | (1,641) | (1)% | (1,545) | (1)% |
| Non-GAAP operating costs and expenses | <u>\$ 216,024</u> | <u>106%</u> | <u>\$ 136,562</u> | <u>117%</u> |
| GAAP loss from operations | \$ (41,735) | (20)% | \$ (39,094) | (34)% |
| Stock-based compensation expense ⁽¹⁾ | 13,417 | 7% | 9,224 | 8% |
| Change in fair value of earnout liability ⁽²⁾ | 15,106 | 7% | 6,300 | 5% |
| Acquisition costs ⁽³⁾ | — | —% | 76 | —% |
| Restructuring charges ⁽⁴⁾ | — | —% | 1,865 | 2% |
| Amortization of intangible assets ⁽⁵⁾ | 1,641 | 1% | 1,545 | 1% |
| Non-GAAP loss from operations | <u>\$ (11,571)</u> | <u>(6)%</u> | <u>\$ (20,084)</u> | <u>(17)%</u> |

Explanation of Adjustments

⁽¹⁾ Non-GAAP loss from operations and non-GAAP expenses exclude the effect of expensing stock-based compensation related to stock options and restricted stock units.

⁽²⁾ Non-GAAP loss from operations and non-GAAP operating costs and expenses exclude the change in fair value of earnout liability related to the acquisition of GoMedigap, which was completed in January 2018.

⁽³⁾ Non-GAAP loss from operations and non-GAAP operating costs and expenses exclude costs related to the acquisition of GoMedigap, which was completed in January 2018.

⁽⁴⁾ Non-GAAP loss from operations and non-GAAP operating costs and expenses exclude restructuring charges.

⁽⁵⁾ Non-GAAP loss from operations and non-GAAP operating costs and expenses exclude amortization of intangible assets.

EHEALTH, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(In thousands, except per share amounts, unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|-------------------|---------------------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 |
| GAAP net loss | \$ (11,024) | \$ (8,972) | \$ (21,937) | \$ (25,831) |
| Stock-based compensation expense ⁽¹⁾ | 5,510 | 3,543 | 13,417 | 9,224 |
| Change in fair value of earnout liability ⁽²⁾ | (5,400) | 3,800 | 15,106 | 6,300 |
| Acquisition costs ⁽³⁾ | — | — | — | 76 |
| Restructuring charges ⁽⁴⁾ | — | — | — | 1,865 |
| Amortization of intangible assets ⁽⁵⁾ | 547 | 547 | 1,641 | 1,545 |
| Tax effect of non-GAAP adjustments ⁽⁶⁾ | 312 | (3,083) | (8,782) | (6,197) |
| Non-GAAP net loss | <u>\$ (10,055)</u> | <u>\$ (4,165)</u> | <u>\$ (555)</u> | <u>\$ (13,018)</u> |
| GAAP net loss per diluted share | \$ (0.47) | \$ (0.47) | \$ (0.96) | \$ (1.36) |
| Stock-based compensation expense ⁽¹⁾ | 0.23 | 0.18 | 0.59 | 0.49 |
| Change in fair value of earnout liability ⁽²⁾ | (0.23) | 0.20 | 0.66 | 0.33 |
| Acquisition costs ⁽³⁾ | — | — | — | — |
| Restructuring charges ⁽⁴⁾ | — | — | — | 0.10 |
| Amortization of intangible assets ⁽⁵⁾ | 0.02 | 0.03 | 0.07 | 0.08 |
| Tax effect of non-GAAP adjustments ⁽⁶⁾ | 0.02 | (0.16) | (0.38) | (0.32) |
| Non-GAAP net loss per diluted share | <u>\$ (0.43)</u> | <u>\$ (0.22)</u> | <u>\$ (0.02)</u> | <u>\$ (0.68)</u> |
| GAAP net loss | \$ (11,024) | \$ (8,972) | \$ (21,937) | \$ (25,831) |
| Stock-based compensation expense ⁽¹⁾ | 5,510 | 3,543 | 13,417 | 9,224 |
| Change in fair value of earnout liability ⁽²⁾ | (5,400) | 3,800 | 15,106 | 6,300 |
| Depreciation and amortization ⁽⁷⁾ | 765 | 620 | 2,153 | 1,870 |
| Acquisition costs ⁽³⁾ | — | — | — | 76 |
| Restructuring charges ⁽⁴⁾ | — | — | — | 1,865 |
| Amortization of intangible assets ⁽⁵⁾ | 547 | 547 | 1,641 | 1,545 |
| Other income, net ⁽⁸⁾ | (568) | (296) | (1,824) | (776) |
| Benefit from income taxes ⁽⁹⁾ | (8,649) | (6,186) | (17,974) | (12,487) |
| Adjusted EBITDA | <u>\$ (18,819)</u> | <u>\$ (6,944)</u> | <u>\$ (9,418)</u> | <u>\$ (18,214)</u> |

Explanation of Adjustments

- ⁽¹⁾ Non-GAAP net loss, non-GAAP net loss per diluted share and adjusted EBITDA exclude the effect of expensing stock-based compensation related to stock options and restricted stock units.
- ⁽²⁾ Non-GAAP net loss, non-GAAP net loss per diluted share and adjusted EBITDA exclude the change in fair value of earnout liability related to the acquisition of GoMedigap, which was completed in January 2018.
- ⁽³⁾ Non-GAAP net loss, non-GAAP net loss per diluted share and Adjusted EBITDA exclude costs related to the acquisition of GoMedigap, which was completed in January 2018.
- ⁽⁴⁾ Non-GAAP net loss, non-GAAP net loss per diluted share and adjusted EBITDA exclude restructuring charges.
- ⁽⁵⁾ Non-GAAP net loss, non-GAAP net loss per diluted share and adjusted EBITDA exclude amortization of intangible assets.
- ⁽⁶⁾ Non-GAAP net loss and non-GAAP net loss per diluted share exclude the tax effect of non-GAAP adjustments.
- ⁽⁷⁾ Adjusted EBITDA excludes depreciation and amortization.
- ⁽⁸⁾ Adjusted EBITDA excludes other income, net.
- ⁽⁹⁾ Adjusted EBITDA excludes benefit from income taxes.

EHEALTH, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GUIDANCE
(In millions, except per share amounts, unaudited)

| | Year Ending December 31, 2019 | | | |
|--|-------------------------------|--------|------|--------|
| | Low | | High | |
| GAAP net income | \$ | 20.9 | \$ | 25.9 |
| Stock-based compensation expense | | 19.0 | | 19.0 |
| Amortization of intangible assets | | 2.2 | | 2.2 |
| Change in fair value of earnout liability | | 15.1 | | 15.1 |
| Tax effect of non-GAAP adjustments | | (10.6) | | (10.6) |
| Non-GAAP net income ⁽¹⁾ | \$ | 46.6 | \$ | 51.6 |
| | | | | |
| GAAP net income per diluted share | \$ | 0.83 | \$ | 1.03 |
| Stock-based compensation expense | | 0.76 | | 0.76 |
| Amortization of intangible assets | | 0.09 | | 0.09 |
| Change in fair value of earnout liability | | 0.60 | | 0.60 |
| Tax effect of non-GAAP adjustments | | (0.42) | | (0.42) |
| Non-GAAP net income per diluted share ⁽²⁾ | \$ | 1.86 | \$ | 2.06 |
| | | | | |
| GAAP net income | \$ | 20.9 | \$ | 25.9 |
| Stock-based compensation expense | | 19.0 | | 19.0 |
| Depreciation and amortization | | 3.5 | | 3.5 |
| Amortization of intangible assets | | 2.2 | | 2.2 |
| Change in fair value of earnout liability | | 15.1 | | 15.1 |
| Other income, net | | (1.2) | | (3.2) |
| Provision for income taxes | | 5.5 | | 7.5 |
| Adjusted EBITDA ⁽³⁾ | \$ | 65.0 | \$ | 70.0 |

Explanation of Adjustments

- ⁽¹⁾ Non-GAAP net income is calculated by adding stock-based compensation, amortization of intangible assets, change in fair value of earnout liability and the income tax effect of non-GAAP adjustments to GAAP net income.
- ⁽²⁾ Non-GAAP net income per diluted share is calculated by adding stock-based compensation expense per diluted share, amortization of intangible assets per diluted share, change in fair value of earnout liability per diluted share and the income tax effect of non-GAAP adjustments to GAAP net income per diluted share.
- ⁽³⁾ Adjusted EBITDA is calculated by adding stock-based compensation, depreciation and amortization expense, amortization of intangible assets, change in fair value of earnout liability, other income, net and provision for income taxes to GAAP net income.



Q3 2019 Financial Results Conference Call Slides

October 24, 2019

Non-GAAP Financial Measures

Non-GAAP Information

This presentation includes both GAAP and non-GAAP financial measures. The presentation of non-GAAP financial information is not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP. A reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable GAAP financial measures is available in the Appendix to this presentation. Management uses both GAAP and non-GAAP information in evaluating and operating its business internally and as such has determined that it is important to provide this information to investors.

eHealth Q3 2019 Highlights



Q3 2019 revenue grew 72% compared to Q3 2018, **exceeding company's** expectations.



Q3 2019, with Adjusted EBITDA of -\$18.8MM, represented an investment quarter in preparation for Medicare Annual Enrollment Period (AEP) in Q4



Medicare segment revenue grew 75% year-over-year, with approved members increasing by 70% year-over-year



21% of Medicare major medical applications submitted online, compared to 9% in Q3 2018



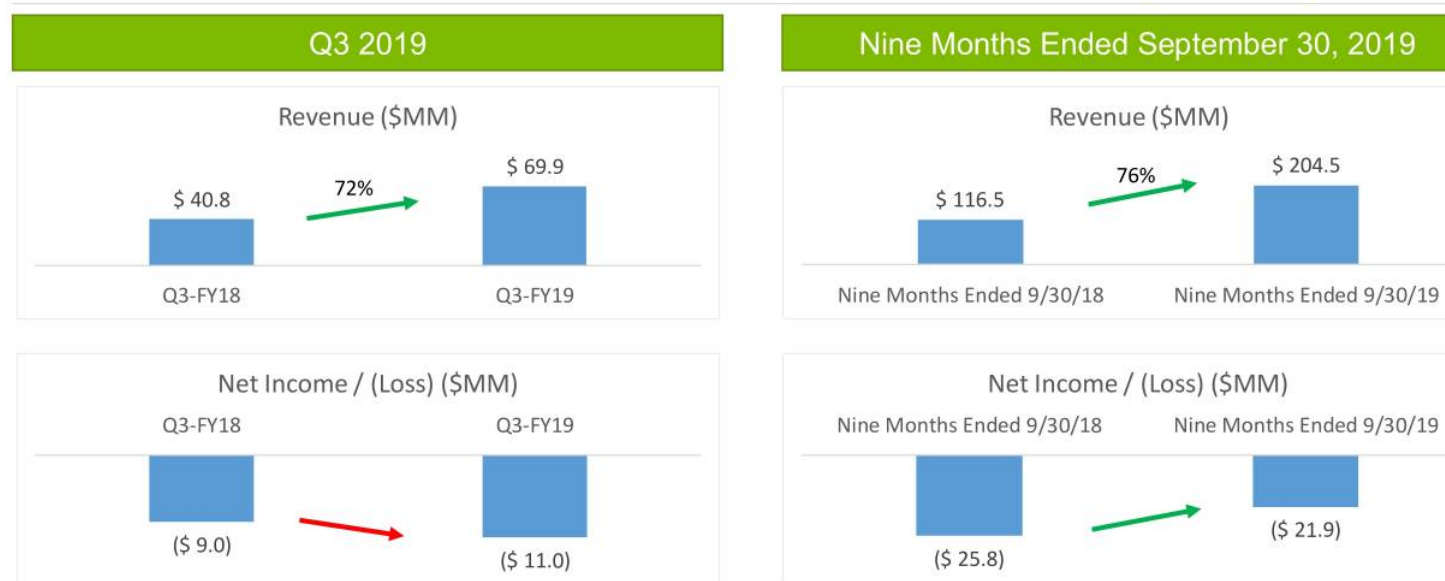
Individual, Family and Small Business segment revenue grew 59% year-over-year, with IFP approved members increasing by 76% year-over-year



\$358MM commissions receivable balance at the end of Q3 2019

eHealth[®]

Q3 2019 and Nine Months Ended September 30, 2019 Revenue and Net Income / (Loss)⁽¹⁾



⁽¹⁾ Q3 2019 GAAP Net Income / (Loss) includes a gain of approximately \$5.4 million related to a change in fair value of the earnout liability assumed in connection with eHealth's acquisition of GoMedigap (Nine Months Ended September 30, 2019 non-cash charge related to earnout liability is approximately \$15.1 million). The change is driven primarily by eHealth's share price depreciation during the third quarter of 2019, which has decreased the value of the equity based portion of the earnout consideration.

Q3 2019 and Nine Months Ended September 30, 2019 AEBITDA⁽¹⁾ and Non-GAAP Net Income / (Loss)⁽²⁾

Q3 2019

Adjusted EBITDA (\$MM)



Non-GAAP Net Income / (Loss) (\$MM)



Nine Months Ended September 30, 2019

Adjusted EBITDA (\$MM)



Non-GAAP Net Income / (Loss) (\$MM)

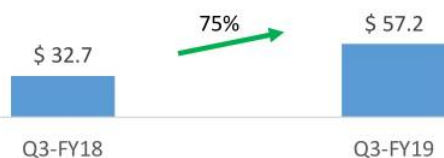


- (1) Adjusted EBITDA is calculated by adding stock-based compensation, depreciation and amortization expense, restructuring charges, acquisition costs, amortization of intangible assets, change in fair value of earnout liability, other income (expense), net and provision for income taxes to GAAP Net Income / (Loss).
- (2) Non-GAAP Net Income / (Loss) is calculated by adding stock-based compensation, restructuring charges, acquisition costs, amortization of intangible assets, change in fair value of earnout liability and the income tax effect of non-GAAP adjustments to GAAP Net Income / (Loss).

Q3 2019 and Nine Months Ended September 30, 2019 Medicare Segment Revenue and Profit

Q3 2019

Medicare Segment Revenue (\$MM)



Medicare Segment Profit / (Loss) (\$MM)



Nine Months Ended September 30, 2019

Medicare Segment Revenue (\$MM)



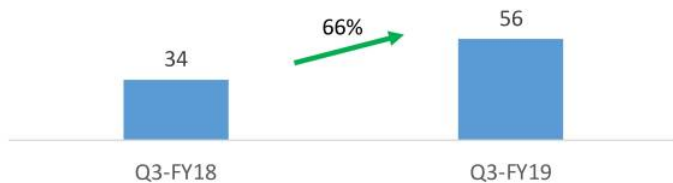
Medicare Segment Profit / (Loss) (\$MM)



Q3 2019 and Nine Months Ended September 30, 2019 Medicare Application Volumes and Medicare Major Medical Online %⁽¹⁾

Q3 2019

Medicare Submitted Applications (000s)



Medicare Major Medical Online Application %

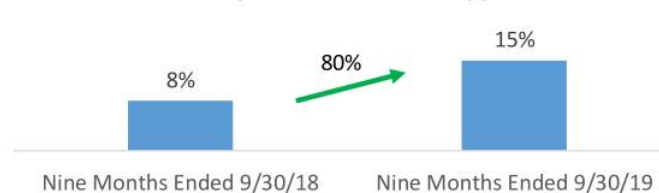


Nine Months Ended September 30, 2019

Medicare Submitted Applications (000s)



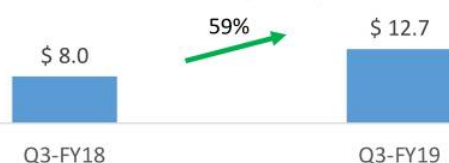
Medicare Major Medical Online Application %



Q3 2019 and Nine Months Ended September 30, 2019 Individual, Family and Small Business Segment Revenue and Profit

Q3 2019

Individual, Family and Small Business Segment
Revenue (\$MM)



Individual, Family and Small Business Segment
Profit / (Loss) (\$MM)



Nine Months Ended September 30, 2019

Individual, Family and Small Business Segment
Revenue (\$MM)



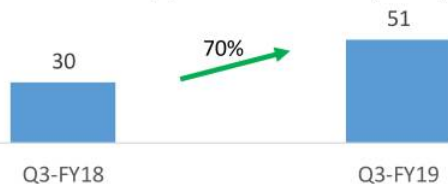
Individual, Family and Small Business Segment
Profit / (Loss) (\$MM)



Q3 2019 and Nine Months Ended September 30, 2019 Approved Members

Q3 2019

Medicare Approved Members (000s)



IFP Approved Members (000s)



Nine Months Ended September 30, 2019

Medicare Approved Members (000s)



IFP Approved Members (000s)



Q3 2019 and Nine Months Ended September 30, 2019 Commission Revenue Breakdown

| (\$000s) | Three Months Ended September 30, 2019 | | | Three Months Ended September 30, 2018 | | |
|---|---|--|--------------------------|---|--|--------------------------|
| | Commission Revenue from Members Approved During the Period ⁽¹⁾ | Net Commission Revenue from Members Approved in Prior Periods ⁽²⁾ | Total Commission Revenue | Commission Revenue from Members Approved During the Period ⁽¹⁾ | Net Commission Revenue from Members Approved in Prior Periods ⁽²⁾ | Total Commission Revenue |
| Medicare Segment | \$ 43,888 | \$ 3,813 | \$ 47,701 | \$ 26,999 | \$ (35) | \$ 26,964 |
| Individual, Family and Small Business Segment | 4,392 | 7,669 | 12,061 | 4,262 | 2,387 | 6,649 |
| Total commission revenue | \$ 48,280 | \$ 11,482 | \$ 59,762 | \$ 31,261 | \$ 2,352 | \$ 33,613 |

| | Nine Months Ended September 30, 2019 | | | Nine Months Ended September 30, 2018 | | |
|---|---|--|--------------------------|---|--|--------------------------|
| | Commission Revenue from Members Approved During the Period ⁽¹⁾ | Net Commission Revenue from Members Approved in Prior Periods ⁽²⁾ | Total Commission Revenue | Commission Revenue from Members Approved During the Period ⁽¹⁾ | Net Commission Revenue from Members Approved in Prior Periods ⁽²⁾ | Total Commission Revenue |
| Medicare Segment | \$ 141,898 | \$ 5,226 | \$ 147,124 | \$ 80,601 | \$ (62) | \$ 80,539 |
| Individual, Family and Small Business Segment | 14,403 | 23,068 | 37,471 | 16,333 | 8,094 | 24,427 |
| Total commission revenue | \$ 156,301 | \$ 28,294 | \$ 184,595 | \$ 96,934 | \$ 8,032 | \$ 104,966 |

Net Commissions Revenue Adjustment from Members Approved in Prior Periods⁽²⁾ is "Tail Revenue" and consists of:

- Residual revenue recognized due to actual cash collections exceeding the constrained LTV for the revenue booked at the time of approval
- Impairment of commissions receivable due to actual cash collections to-date lower than the expected cash collections to-date for the constrained LTV for the revenue booked at the time of approval



(1) Includes commission bonus revenue

(2) Reflects our revised estimates of cash collections for certain members approved prior to the relevant reporting period that are recognized as adjustments to revenue within the relevant reporting period. In addition, includes revenue associated with renewing small business health insurance members.

Medicare Advantage Plan Member Turnover Trend Since Q4 2018

| | Q4 18 | Q1 19 | Q2 19 | Q3 19 |
|--|----------------|----------------|----------------|----------------|
| Estimated Beginning Membership⁽¹⁾ | 235,269 | 276,357 | 280,763 | 291,171 |
| Approved Members⁽²⁾ | 83,376 | 40,741 | 36,576 | 35,171 |
| Estimated Total New Paying Members from Approved Members ⁽³⁾ | 76,180 | 39,087 | 34,614 | 33,284 |
| Less Estimated Future Quarters Paying Members from Approved Members ⁽⁴⁾ | (15,920) | (5,476) | (3,968) | (3,278) |
| New Paying Members from Approved Members ⁽⁵⁾ | 60,260 | 33,611 | 30,646 | 30,006 |
| Plus | | | | |
| New Paying Members from Prior Quarters Approved Members ⁽⁶⁾ | 2,557 | 15,920 | 5,476 | 3,968 |
| New Paying Members⁽⁷⁾ | 62,817 | 49,531 | 36,122 | 33,974 |
| Estimated Ending Membership⁽⁸⁾ | 276,357 | 280,763 | 291,171 | 309,180 |
| Medicare Advantage Plan Member Turnover⁽⁹⁾ | 21,729 | 45,125 | 25,714 | 15,965 |
| Trailing Twelve Month Member Turnover ⁽¹⁰⁾ | 95,065 | 89,357 | 102,403 | 108,533 |
| Average Trailing Twelve Month Estimated Membership Plus New Paying Members ⁽¹¹⁾ | 262,856 | 276,949 | 296,491 | 316,501 |
| Trailing Twelve Month Member Turnover Rate⁽¹²⁾ | 36% | 32% | 35% | 34% |

Trailing Twelve Month Approved to Paid Ratio⁽¹³⁾

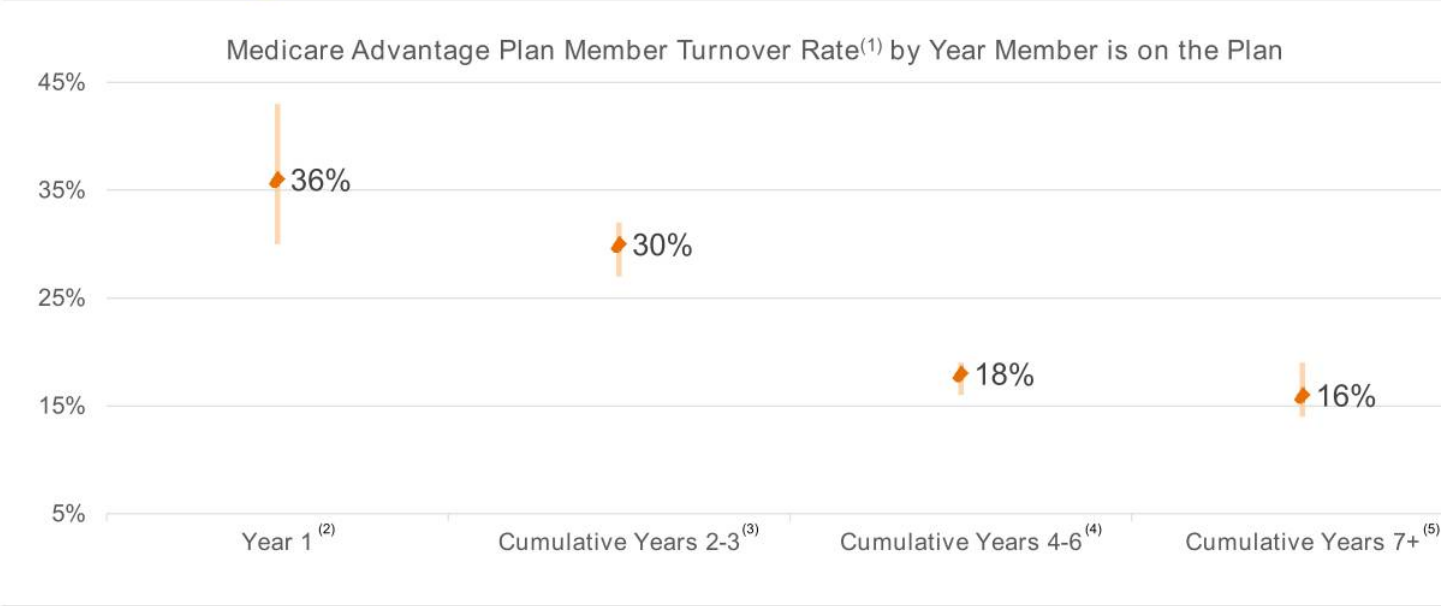
| | | | |
|-----|-----|-----|-----|
| 91% | 92% | 93% | 93% |
|-----|-----|-----|-----|

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Medicare Advantage Plan Member Turnover Trend Since Q4 2018

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- (1) Estimated Beginning Membership is the Estimated Ending Membership for the period prior to the period of estimation. Membership is estimated using the methodology described in our periodic filings with Securities and Exchange Commission.
 - (2) The number of approved members is equal to the number of individuals on applications that were approved during the period presented and includes individuals on approved applications that were submitted to the period presented. A single application for some products may cover more than one individual. Each of the individuals on a single submitted application are counted as approved members after the application is approved.
 - (3) Estimated Total New Paying Members from Approved Members represents estimated number of current quarter's approved members for whom we expect to receive a commission payment in the current or future quarters. We estimate Total New Paying Members by applying our historical experience for the percentage of approved members who pay for their plans.
 - (4) Estimated Future Quarters Paying Members from Approved Members represents estimated number of current quarter's approved members for whom we expect to receive a commission payment in future quarters and not in the current quarter. We calculate Future Quarters Paying Members as follows: Estimated Total New Paying Members from Approved Members minus New Paying Members from Approved Members.
 - (5) New Paying Members from Approved Members represents the number of current quarter's approved members for whom we have received or applied a commission payment in the current quarter.
 - (6) New Paying Members from Prior Quarter Approved Members represents the number of prior quarters' approved members for whom we have received or applied a commission payment in the current quarter.
 - (7) New Paying Members is the sum of (i) New Paying Members from Approved Members; plus (ii) New Paying Members from Prior Quarters Approved Members.
 - (8) Estimated Ending Membership is the number of members we estimate as of the end of the period. Membership is estimated using the methodology described in our periodic filings with the Securities and Exchange Commission.
 - (9) Medicare Advantage Plan Member Turnover for the period is derived as follows: Estimated Beginning Membership plus New Paying Members minus Estimated Ending Membership.
 - (10) Trailing Twelve Month Member Turnover is the sum of Medicare Advantage Plan Member Turnover for the prior twelve months.
 - (11) Average Trailing Twelve Month Estimated Membership Plus New Paying Members is the sum of (i) trailing twelve month Estimated Beginning Membership, plus (ii) New Paying Members for the trailing twelve month, divided by 4.
 - (12) Trailing Twelve Month Member Turnover Rate is Trailing Twelve Month Turnover divided by Average Trailing Twelve Month Estimated Membership Plus New Paying Members.
 - (13) Trailing Twelve Month Approved to Paid Ratio is the sum of trailing twelve month New Paying Members divided by the sum of trailing twelve month Approved Members.

Medicare Advantage Plan Member Turnover Rate⁽¹⁾ by Year

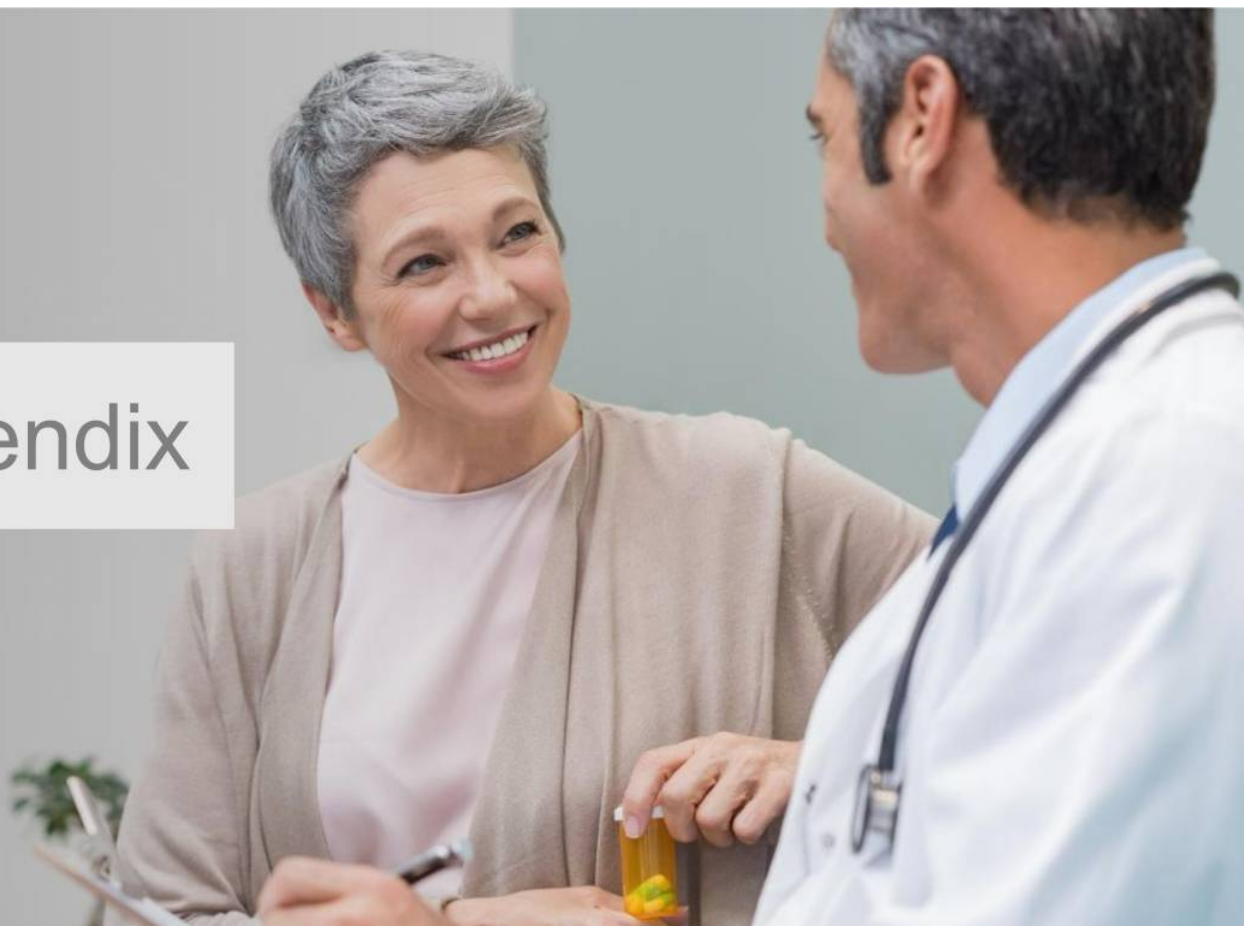


(1) Based on actual historical and estimated future member turnover as a percentage of initial paid members for each historical cohort by policy effective date; weighted based on initial paid members
(2) Year 1 represents the annual member turnover rate by the 1 year anniversary of the policy effective date
(3) Cumulative Years 2-3 represents the sum of incremental annual member turnover rate between the first anniversary and third anniversary of policy effective date
(4) Cumulative Years 4-6 represents the sum of incremental annual member turnover rate between the third anniversary and the sixth anniversary of policy effective date
(5) Cumulative Years 7+ represents the sum of incremental annual member turnover rate after the sixth anniversary of the policy effective date until the cohort has or is expected to turnover completely



Appendix

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Reconciliation of GAAP to Non-GAAP Financial Measures

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| <i>(In \$000's)</i> | | | | |
| GAAP net loss | \$ (11,024) | \$ (8,972) | \$ (21,937) | \$ (25,811) |
| Stock-based compensation expense | 5,510 | 3,543 | 13,417 | 9,211 |
| Change in fair value of earnout liability | (5,400) | 3,800 | 15,106 | 6,311 |
| Acquisition costs | — | — | — | — |
| Restructuring | — | — | — | 1,811 |
| Amortization of intangible assets | 547 | 547 | 1,641 | 1,511 |
| Tax effect of non-GAAP adjustments | 312 | (3,083) | (8,782) | (6,111) |
| Non-GAAP net loss | \$ (10,055) | \$ (4,165) | \$ (555) | \$ (13,011) |
| GAAP net loss | \$ (11,024) | \$ (8,972) | \$ (21,937) | \$ (25,811) |
| Stock-based compensation expense | 5,510 | 3,543 | 13,417 | 9,211 |
| Change in fair value of earnout liability | (5,400) | 3,800 | 15,106 | 6,311 |
| Depreciation and amortization | 765 | 620 | 2,153 | 1,811 |
| Acquisition costs | — | — | — | — |
| Restructuring | — | — | — | 1,811 |
| Amortization of intangible assets | 547 | 547 | 1,641 | 1,511 |
| Other income, net | (568) | (296) | (1,824) | (711) |
| Benefit from income taxes | (8,649) | (6,186) | (17,974) | (12,411) |
| Adjusted EBITDA | \$ (18,819) | \$ (6,944) | \$ (9,418) | \$ (18,211) |

