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

FORM 10-Q

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from _____ to _____

001-33071
(Commission File Number)

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

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

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

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

The number of shares of the registrant's common stock, par value $0.001 per share, outstanding as of July 30, 2010 was 23,546,518 shares.

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EHEALTH, INC. FORM 10-Q

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EHEALTH, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31, 2009	June 30, 2010 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 131,339	$ 141,278
Marketable securities	22,184	—
Accounts receivable	2,295	2,563
Deferred income taxes	6,009	6,687
Prepaid expenses and other current assets	2,324	1,723
Total current assets	164,151	152,251
Property and equipment, net	3,775	4,073
Deferred income taxes	919	147
Other assets	863	772
Acquired intangible assets, net	—	13,115
Goodwill	—	14,546
Total assets	$ 169,708	$ 184,904
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 3,252	$ 3,266
Accrued compensation and benefits	5,051	5,875
Accrued marketing expenses	3,879	4,137
Deferred revenue	401	452
Other current liabilities	2,677	1,877
Total current liabilities	15,260	15,607
Other non-current liabilities	2,997	3,182
Stockholders' equity:		
Common stock	25	25
Additional paid-in capital	183,747	192,140
Treasury stock, at cost	(29,999)	(29,999)
Retained earnings (accumulated deficit)	(2,545)	3,729
Accumulated other comprehensive income	223	220
Total stockholders' equity	151,451	166,115
Total liabilities and stockholders' equity	$ 169,708	$ 184,904

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

EHEALTH, INC.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Revenue:				
Commission	$29,939	$31,872	$58,143	$63,645
Sponsorship, licensing and other	3,500	4,384	7,213	8,600
Total revenue	33,439	36,256	65,356	72,245
Operating costs and expenses:				
Cost of revenue-sharing	1,318	881	2,118	1,859
Marketing and advertising	12,945	13,883	26,365	28,701
Customer care and enrollment	3,627	3,902	7,449	7,848
Technology and content	3,828	4,999	7,413	9,580
General and administrative	4,851	6,554	9,552	12,321
Amortization of acquired intangible assets	—	285	—	285
Total operating costs and expenses	26,569	30,504	52,897	60,594
Income from operations	6,870	5,752	12,459	11,651
Interest and other income (loss), net	258	(12)	657	16
Income before income taxes	7,128	5,740	13,116	11,667
Provision for income taxes	3,134	2,699	5,979	5,393
Net income	$ 3,994	$ 3,041	$ 7,137	$ 6,274
Comprehensive income:				
Net income	$ 3,994	$ 3,041	$ 7,137	$ 6,274
Change in unrealized gain on investments, net of taxes	47	8	(72)	(11)
Foreign currency translation adjustment, net of taxes	2	6	2	8
Total comprehensive income	$ 4,043	$ 3,055	$ 7,067	$ 6,271
Net income per share:				
Basic	$ 0.16	$ 0.13	$ 0.29	$ 0.27
Diluted	$ 0.16	$ 0.13	$ 0.28	$ 0.26
Weighted-average number of shares used in per share amounts:				
Basic	24,755	23,529	24,823	23,493
Diluted	25,656	24,266	25,701	24,306

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

EHEALTH, INC.

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

	Six Months Ended June 30,	
	2009	2010
Operating activities		
Net income	$ 7,137	$ 6,274
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	3,237	4,936
Depreciation and amortization	1,119	1,328
Amortization and accretion on marketable securities, net	401	50
Stock-based compensation expense	2,138	3,249
Excess tax benefits from stock-based compensation	(2,635)	(5,237)
Deferred rent	(50)	2
Loss on disposal of property and equipment	12	6
Changes in operating assets and liabilities:		
Accounts receivable	(106)	101
Prepaid expenses and other current assets	(596)	687
Other assets	291	91
Accounts payable	(433)	1
Accrued compensation and benefits	75	676
Accrued marketing expenses	810	258
Deferred revenue	51	23
Other current liabilities	1,582	(1,188)
Net cash provided by operating activities	13,033	11,257
Investing activities		
Purchases of property and equipment	(534)	(1,344)
Acquisition of PlanPrescriber, net of cash acquired	—	(27,203)
Purchase of other assets	(1,280)	—
Purchases of marketable securities	(38,524)	—
Sales of marketable securities	1,006	—
Maturities of marketable securities	35,400	22,100
Net cash used in investing activities	(3,932)	(6,447)
Financing activities		
Proceeds from exercise of common stock options	467	464
Cash used to net-share settle equity awards	(107)	(557)
Excess tax benefits from stock-based compensation	2,635	5,237
Repurchases of common stock	(4,593)	—
Other financing activities	(19)	(21)
Net cash provided by (used in) financing activities	(1,617)	5,123
Effect of exchange rate changes on cash and cash equivalents	1	6
Net increase in cash and cash equivalents	7,485	9,939
Cash and cash equivalents at beginning of period	94,136	131,339
Cash and cash equivalents at end of period	$101,621	$141,278

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

EHEALTH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 – Summary of Business and Significant Accounting Policies

Description of Business—eHealth, Inc. (the "Company," "eHealth," "we" or "us") offers Internet-based health insurance agency services for individuals, families and small businesses in the United States, as well as technology licensing and Internet advertising services. Our services and technology enable individuals, families and small businesses to research, analyze, compare and purchase health insurance products from health insurance carriers across the nation. We also offer comparison tools and educational materials for Medicare-related insurance products, including Medicare Advantage, Medicare Supplement and Medicare Part D prescription drug plans. We are licensed to market and sell health insurance in all 50 states and the District of Columbia.

Basis of Presentation—The accompanying condensed consolidated balance sheet as of June 30, 2010, the condensed consolidated statements of income and comprehensive income for the three and six months ended June 30, 2009 and 2010 and the condensed consolidated statements of cash flows for the six months ended June 30, 2009 and 2010, respectively, are unaudited. The condensed consolidated balance sheet data as of December 31, 2009 was derived from the audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed with the Securities and Exchange Commission on March 5, 2010. The accompanying statements should be read in conjunction with the audited consolidated financial statements and related notes contained in our Annual Report on Form 10-K.

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, for interim financial information. Accordingly, they do not include all of the financial information and footnotes required by U.S. GAAP for complete financial statements. The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements in our Annual Report on Form 10-K, and include all adjustments necessary for the fair presentation of eHealth's statement of financial position as of June 30, 2010, its results of operations for the three and six months ended June 30, 2009 and 2010 and its cash flows for the six months ended June 30, 2009 and 2010. All adjustments are of a normal recurring nature. The results for the three and six months ended June 30, 2010 are not necessarily indicative of the results to be expected for any subsequent quarter or for the fiscal year ending December 31, 2010.

Significant Customers—Substantially all revenue for all periods presented was generated from customers located in the United States. The following carriers (including carriers owned by them) represented 10% or more of our total revenue for the three and six months ended June 30, 2009 and 2010:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Aetna	17%	15%	16%	15%
UnitedHealthcare	14%	14%	14%	15%
Wellpoint	15%	14%	15%	14%

Revenue attributable to individual and family ("IFP") product offerings represented approximately 91% of our commission revenue in the three and six months ended June 30, 2010, and represented approximately 90% of our commission revenue in the three and six months ended June 30, 2009. We define individual and family product offerings as major medical individual and family health insurance plans, which does not include small business, short-term major medical, stand-alone dental, life and student health insurance product offerings.

Goodwill and Acquired Intangible Assets—Goodwill represents the excess of the consideration paid over the estimated fair value of assets acquired and liabilities assumed in the business acquisition of PlanPrescriber. The factors that contributed to the recognition of goodwill included synergies that we believe will benefit revenue and profits, as well as the acquisition of an experienced and talented workforce. We do not amortize goodwill but will test for impairment on an annual basis in the fourth quarter and whenever we become aware of any events occurring or changes in circumstances that would indicate a reduction in its fair value below its carrying amount.

Acquired intangible assets with finite useful lives, which include purchased technology, customer relationships, tradenames, trademarks and website addresses, are amortized over their estimated useful lives and will be reviewed for impairment annually in the fourth quarter or when facts or circumstances suggest that the carrying value of these assets may not be recoverable.

EHEALTH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

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

Recently Issued Accounting Pronouncements—In October 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2009-13—*Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force* ("ASU 2009-13"). ASU 2009-13 addresses how to measure and allocate arrangement consideration to one or more units of accounting within certain multiple-deliverable arrangements. ASU 2009-13 modifies the requirements for determining whether a deliverable can be treated as a separate unit of accounting by removing the criterion that objective evidence of fair value must exist for the undelivered elements. ASU 2009-13 is effective for us prospectively for revenue arrangements entered into or materially modified beginning January 1, 2011. Early adoption is permitted. Currently, we are evaluating the impact adoption will have on our financial condition and results of operations.

Note 2 – Acquisition

On April 30, 2010, we acquired 100% of the outstanding common shares and voting interest of PlanPrescriber, Inc. (formerly Experion Systems, Inc.), a privately-held company. The purchase price totaled $28.0 million and was primarily paid in cash. PlanPrescriber is a leading provider of online and pharmacy-based tools to help seniors navigate Medicare health insurance options. The acquisition of PlanPrescriber is expected to accelerate our growth in the large and expanding senior market for Medicare insurance. PlanPrescriber is now a wholly-owned subsidiary of eHealth. We recorded the purchase of PlanPrescriber using the acquisition method of accounting and we recognized the assets acquired and liabilities assumed at their fair values as of the date of acquisition. The results of operations are included in our consolidated results of operations beginning with the date of the acquisition. Pro forma results of operations have not been presented because the effects of the acquisition of PlanPrescriber were not material to our consolidated results of operations.

The following table summarizes the final allocation of the purchase price, including the estimated fair values of the assets acquired and liabilities assumed at the acquisition date of April 30, 2010 (in thousands):

	As of April 30, 2010
Cash	$ 776
Accounts receivable	369
Other acquired assets	86
Acquired intangible assets	13,400
Total identifiable assets acquired	14,631
Deferred tax liabilities	(630)
Assumed liabilities	(568)
Net identifiable assets acquired	13,433
Goodwill	14,546
Purchase price	$ 27,979

The fair value of acquired accounts receivable approximates the contractual amount. We recognized $0.6 million of acquisition-related costs that were expensed as incurred during the six months ended June 30, 2010. These costs are included in general and administrative expenses.

EHEALTH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

The total purchase price for PlanPrescriber was $28.0 million. Of the total purchase price, $14.5 million was allocated to goodwill and $13.4 million represents acquired identifiable intangible assets. There were no changes in the carrying amount of goodwill during the three and six month periods ended June 30, 2010. The following table sets forth the components of intangible assets that are subject to amortization acquired in connection with the PlanPrescriber acquisition on April 30, 2010 (in thousands):

	Fair Value	Weighted Average Useful Life as of April 30, 2010
Purchased technology	1,800	5.1 years
Customer relationships	10,700	8.5 years
Tradenames, trademarks and website addresses	900	10.0 years
Acquired intangible assets subject to amortization	$ 13,400	

The carrying amounts, accumulated amortization and weighted average remaining life of acquired intangible assets subject to amortization as of June 30, 2010 is presented in the table below (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life
Purchased technology	$ 1,800	$ (59)	$ 1,741	4.9 years
Customer relationships	10,700	(211)	10,489	8.3 years
Tradenames, trademarks and website addresses	900	(15)	885	9.8 years
Acquired intangible assets	$13,400	$ (285)	$13,115	7.7 years

During the three and six months ended June 30, 2010, amortization expense related to acquired intangible assets totaled $0.3 million.

As of June 30, 2010, expected amortization expense in future periods is as follows (in thousands):

Years Ending December 31,	Purchased Technology	Customer Relationships	Tradenames, Trademarks and Website Addresses	Total
2010 (6 months)	$ 176	$ 633	$ 45	$ 854
2011	353	1,265	90	1,708
2012	353	1,225	90	1,668
2013	352	1,025	90	1,467
2014	352	1,025	90	1,467
Thereafter	155	5,316	480	5,951
Total	$ 1,741	$ 10,489	$ 885	$13,115

Note 3 – Cash, Cash Equivalents and Marketable Securities

Cash and Cash Equivalents—As of December 31, 2009 and June 30, 2010, our cash equivalents consisted of money market accounts that were invested in U.S. government-sponsored enterprise bonds and discount notes, U.S. government treasury bills and notes and repurchase agreements collateralized by U.S. government obligations. At December 31, 2009 and June 30, 2010, our cash equivalents carried no unrealized gains or losses, and we did not realize any significant gains or losses on sales of cash equivalents during the three and six months ended June 30, 2009 and 2010.

EHEALTH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

Marketable Securities—As of June 30, 2010, we did not hold any marketable securities. As of December 31, 2009, marketable securities were comprised of available-for-sale financial instruments with original maturities of more than 90 days from the date of purchase. Marketable securities that are available for use in current operations are classified as current assets in the accompanying consolidated balance sheets regardless of the remaining time to maturity. The cost, unrealized gains and losses, net of taxes, and estimated fair value of our marketable securities consisted of the following as of December 31, 2009 (in thousands):

	Cost	Unrealized Gains	Unrealized Losses (1)	Estimated Fair Value
December 31, 2009				
U.S. government-sponsored enterprise bonds	$17,877	$ 15	$ (1)	$ 17,891
Corporate bonds	3,053	1	—	3,054
U.S. government-sponsored enterprise discount notes	1,221	18	—	1,239
Total marketable securities	$22,151	$ 34	$ (1)	$ 22,184

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

We did not realize any significant gains or losses on sales of marketable securities during the three and six months ended June 30, 2009 and 2010.

During the three and six months ended June 30, 2009 and 2010, we recorded immaterial amounts of unrealized gains and losses on our investments in marketable securities. Unrealized gains and losses are the result of the change in fair value of our investments in marketable securities, specifically corporate bonds, at the beginning and end of the period. Unrealized gains and losses are excluded from earnings and reported as a component of stockholders' equity in the consolidated balance sheets and in comprehensive income on the consolidated statements of income and comprehensive income.

Note 4 – Fair Value Measurements

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

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities

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

Level 3 Unobservable inputs for the asset or liability

As of June 30, 2010, our cash equivalents were invested in money market funds and were classified as Level 1 assets. We endeavor to utilize the best available information in measuring fair value. We used observable prices in active markets in determining the classification of our money market funds as Level 1.

Note 5 – Stockholder's Equity and Stock-Based Compensation

Stockholders' Equity

Stock Plans—Our 2006 Equity Incentive Plan (the "2006 Plan") became effective in October 2006. As of June 30, 2010, we had 3,357,563 shares of our common stock available for future grants under the 2006 Plan. On January 1 of each year, the number of shares available for future grant under the 2006 Plan will automatically increase by the lowest of (a) 1,500,000 shares, (b) 4% of the total number of shares of our common stock then outstanding or (c) a lower number determined by our board of directors or its compensation committee. As of January 1, 2010, shares reserved under the 2006 Plan automatically increased by 936,669 shares, which equaled 4% of the total number of shares of our common stock then outstanding.

EHEALTH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

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

The following table summarizes activity under all of our stock plans ("Stock Plans") (in thousands, except per share amounts and weighted-average remaining contractual life data):

	Shares Available for Grant (1)	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (2)
Balance at December 31, 2009	3,164	2,899	$ 10.56	5.16	$ 20,895
Additional shares authorized (3)	937	—	—		
Options granted	(713)	713	$ 15.82		
Restricted stock units granted	(131)	—			
Options exercised	—	(56)	$ 8.36		
Options cancelled	78	(78)	$ 14.78		
Restricted stock units and awards cancelled	23	—			
Balance at June 30, 2010	3,358	3,478	$ 11.58	5.14	$ 11,387

(1) Shares available for grant exclude treasury stock of 1,894,355 shares and 1,926,926 shares at December 31, 2009 and June 30, 2010, respectively, that could be granted if eHealth determined to do so.

(2) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying stock options and the fair value of our common stock at June 30, 2010.

(3) On January 1, 2010, the number of shares authorized for issuance under the 2006 Plan was automatically increased by 936,669 shares pursuant to the terms of the 2006 Plan.

The fair value of stock options granted to employees for the three and six months ended June 30, 2009 and 2010 was estimated using the following weighted-average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Expected term	4.6 years	4.7 years	4.6 years	4.6 years
Expected volatility	60.0%	52.0%	60.0%	52.8%
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	1.57%	2.45%	1.57%	2.44%
Weighted-average fair value	$ 8.15	$ 5.62	$ 8.02	$ 7.32

The following table summarizes restricted stock unit activity under the Stock Plans (in thousands, except weighted-average remaining contractual life data):

	Number Outstanding	Weighted-Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (1)
Balance as of December 31, 2009	383	2.67	$ 6,289
Granted	131		
Vested	(105)		
Cancelled	(23)		
Balance as of June 30, 2010	386	2.69	$ 4,386

(1) The aggregate intrinsic value is calculated as the fair value of the underlying common stock outstanding and vested and expected to vest as of December 31, 2009 and June 30, 2010.

EHEALTH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

Upon vesting, the restricted stock units are generally net-share settled to cover the required withholding tax and the remaining amount is converted into an equivalent number of shares of common stock. The majority of restricted stock units vested in the three and six months ended June 30, 2009 and 2010 were net-share settled such that we withheld shares with value equivalent to the employees' minimum statutory obligation for the applicable income and other employment taxes, and remitted the cash to the appropriate taxing authorities. Total payments for the employees' tax obligations to the taxing authorities are reflected as a financing activity within the condensed consolidated statements of cash flows. These net-share settlements had the effect of share repurchases by eHealth as they reduced the number of shares that would have otherwise been issued as a result of the vesting and did not represent an expense to eHealth.

Stock-Based Compensation

The following table summarizes stock-based compensation expense recorded during the three and six months ended June 30, 2009 and 2010 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Common stock options	$ 725	$ 1,008	$1,364	$1,944
Restricted stock units	465	588	759	1,305
Restricted common stock	7	—	15	—
Total stock-based compensation expense	$ 1,197	$ 1,596	$2,138	$3,249

The following table summarizes stock-based compensation expense by operating function recorded during the three and six months ended June 30, 2009 and 2010 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Marketing and advertising	$ 254	$ 201	$ 396	$ 408
Customer care and enrollment	89	88	148	181
Technology and content	304	413	502	856
General and administrative	550	894	1,092	1,804
Total stock-based compensation expense	$ 1,197	$ 1,596	$2,138	$3,249

Note 6 – Income Taxes

During the three and six months ended June 30, 2010, we recorded a provision for income taxes of $2.7 million and $5.4 million, respectively, representing effective tax rates of approximately 47.0% and 46.2%, respectively. Our effective tax rates in the three and six months ended June 30, 2010 were higher than statutory federal and state tax rates primarily due to non-deductible lobbying expenses, tax shortfalls related to share-based payments and non-deductible acquisition-related costs incurred as a result of the purchase of PlanPrescriber. During the three and six months ended June 30, 2009, we recorded a provision for income taxes of $3.1 million and $6.0 million, respectively, representing effective tax rates of approximately 44.0% and 45.6%, respectively. Our effective tax rates in the three and six months ended June 30, 2009 were higher than statutory federal and state tax rates primarily due to non-deductible lobbying expenses and tax shortfalls related to share-based payments.

EHEALTH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

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

In September 2008, the state of California approved its budget for fiscal year ending June 30, 2009, which contained changes to the California tax law which substantially limited our ability to utilize available state net operating loss and tax credit carry forwards to reduce our state income taxes payable. This change in the tax law resulted in the suspension of the utilization of net operating loss carry forwards for tax years 2008 and 2009; however, the expiration date of the net operating loss carry forwards was extended for an equivalent two-year period. Additionally, for tax years 2008 and 2009, taxpayers could only utilize available tax credit carry forwards to reduce their current tax liability up to 50% of their net tax amount before application of such credits. This change in the tax law did not affect the amount of net operating loss or tax credit carry forwards that we expect to ultimately use to offset future California taxes; however, it did limit the amount of net operating loss and tax credit carry forwards that we were able to utilize to reduce our taxes payable during 2009, resulting in an increase in cash taxes paid to the state of California in 2009. This change in the California tax law did not impact our effective tax rate for 2009 or the three and six months ended June 30, 2010. The suspension of the use of net operating loss carry forwards to reduce California income taxes was lifted for 2010.

During 2009, our deferred tax assets were reduced due to the extent we were able to utilize net operating loss and tax credit carry forwards to reduce taxes currently payable. In addition, due to the restriction on our ability to utilize net operating loss carry forwards to reduce taxes payable in California in 2009, we utilized excess federal and state tax benefits related to share-based payments, which resulted in a $2.6 million increase in additional paid-in capital in the condensed consolidated balance sheet during the six months ended June 30, 2009. During the six months ended June 30, 2010, as a result of the utilization of our remaining federal net operating losses, we utilized excess federal tax benefits related to share-based payments, which resulted in a $5.2 million increase in additional paid-in capital in the condensed consolidated balance sheet during the six months ended June 30, 2010. Additionally, the $2.6 million and $5.2 million of realized excess tax benefits related to share-based payments in the six months ended June 30, 2009 and 2010, respectively, are classified in the condensed consolidated statements of cash flows as both financing cash inflows and operating cash outflows.

The acquisition of PlanPrescriber resulted in the recognition of $14.5 million of goodwill in the consolidated balance sheet as of June 30, 2010, none of which is subject to amortization for book purposes, but will be amortized over fifteen years for California tax purposes. None of the $14.5 million of goodwill is expected to be deductible for federal tax purposes. We also acquired intangible assets totaling $13.4 million that are subject to amortization for book purposes but not for tax purposes. Additionally, we assumed $4.1 million and $10.9 million of state and federal net operating loss carry forwards, respectively, and $0.1 million and $0.3 million of state and federal tax credit carry forwards, respectively, as of April 30, 2010. Accordingly, we established a deferred tax liability in the amount of $0.6 million, which has been offset against deferred tax assets in the consolidated balance sheet as of June 30, 2010. The deferred tax liability represents the net of the deferred tax liability established on the identifiable intangibles of $4.8 million, which will be amortized for book purposes but not for federal purposes, and the acquired deferred tax assets of $4.2 million.

Note 7 – Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted-average number of common shares outstanding for the fiscal period. Diluted net income per share is computed giving effect to all potential dilutive common stock, including options, restricted stock and restricted stock units. The dilutive effect of outstanding awards is reflected in diluted earnings per share by application of the treasury stock method. The following table sets forth the computation of basic and diluted net income per share (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Basic:				
Numerator:				
Net income allocated to common stock	$ 3,994	$ 3,041	$ 7,137	$ 6,274
Denominator:				
Weighted average number of common stock shares	24,755	23,529	24,823	23,493
Net income per share—basic:	$ 0.16	$ 0.13	$ 0.29	$ 0.27
Diluted:				
Numerator:				
Net income allocated to common stock	$ 3,994	$ 3,041	$ 7,137	$ 6,274
Denominator:				
Weighted average number of common stock shares	24,755	23,529	24,823	23,493
Weighted average number of options	883	721	850	782
Weighted average number of restricted stock and restricted stock units	18	16	28	31
Total shares used in per share calculation	25,656	24,266	25,701	24,306
Net income per share—diluted:	$ 0.16	$ 0.13	$ 0.28	$ 0.26

EHEALTH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

For each of the three and six months ended June 30, 2009 and 2010, we had securities outstanding that could potentially dilute earnings per share, but the shares from the assumed conversion or exercise of these securities were excluded in the computation of diluted net income per share as their effect would have been anti-dilutive.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Common stock options	1,144	1,604	1,063	1,318
Restricted stock units	142	350	86	386
Total	1,286	1,954	1,149	1,704

Note 8 – Geographic Information

Substantially all revenue for all periods presented was generated from customers located in the United States. As of December 31, 2009 and June 30, 2010, our long-lived assets consisted primarily of property and equipment, goodwill and other indefinite-lived intangible assets and finite-lived intangible assets. Our long-lived assets are attributed to the geographic location in which they are located. Long-lived assets by geographical area were as follows (in thousands):

	As of December 31, 2009	As of June 30, 2010
United States	$ 4,101	$31,728
China	537	778
Total	$ 4,638	$32,506

EHEALTH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

Note 9 – Subsequent Event

On July 27, 2010, we announced that our board of directors approved a stock repurchase program authorizing us to purchase up to $30 million of our common stock. Purchases under the repurchase program may be made in open market or unsolicited negotiated transactions and are expected to comply with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The timing of purchases and the exact number of shares to be purchased will depend upon market conditions. The repurchase program does not require eHealth to acquire a specific number of shares, and the repurchase program may be suspended from time to time or discontinued at any time. The cost of the shares that are repurchased will be funded from available working capital. Any shares repurchased under the program will be returned to the status of authorized but unissued shares of common stock.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In addition to historical information, this Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements include, among other things, statements concerning impact of the PlanPrescriber acquisition on our financial statements and on our growth in the Medicare market; our plan to review and test goodwill and acquired intangible assets for impairment in value; our utilization of certain tax benefits and the related impact on our financial statements and our cash outlay for taxes for 2010; plans to repurchase shares of our common stock and the impact of such repurchases on our interest income; our plan to continue to sell PlanPrescriber's Medicare leads and to transition to servicing these leads ourselves as a health insurance agent; establishment of a Medicare product related customer care center; timing, amount and nature of projected Medicare related revenue and impact on our cash flows; timing of a retail experience for Medicare products; our expectation that total revenue will grow and factors affecting such growth; timing and impact of medical loss ratio regulations; our expectation that our cost of revenue sharing will decrease in absolute dollars; exploration of new marketing initiatives that increase per member acquisition costs; our expectation that our marketing and advertising expenses will increase in absolute dollars and be equal or higher than our 2009 expense as a percentage of total revenue; increase in our cost of acquiring members and factors impacting such increase; our expectation that our customer care and enrollment, technology and content and general and administrative expenses will increase in absolute dollars in 2010 compared to 2009 and factors affecting such increases; our expectation that general and administrative expenses decrease in the second half of 2010 compared to the first half of 2010 and factors affecting such decrease; estimates relating to critical accounting policies and related impact on our financial statements; our expectation that stock based compensation will increase; expectations regarding our future effective tax rate and factors affecting such rate; our expectation regarding interest and other income, net as a percentage of total revenue; our expectation regarding the impact of the acquisition and integration of PlanPrescriber on our liquidity, capital resources and interest income earned for 2010 and on our business; the sufficiency of our cash, cash equivalents and marketable securities; future capital requirements; our intention to invest in a variety of instruments and in marketable securities in the future; our potential for collection issues with any of our customers; the impact of health care reform laws on the health insurance industry and on our business; expenditures related to the development of our business; our continuing to incur significant costs and expenses relating to our being a public company; factors on which our future growth will depend; our plan to offer Medicare products and factors on which our success will depend; acceleration of PlanPrescriber revenue growth; changes to our ecommerce platform and other initiatives and the potential impact of such changes; factors affecting the successful promotion of our brand and the difficulty and expense of branding initiatives; our continuing to enter into relationships with marketing partners in China; expansion of aspects of our business to additional geographic regions; as well as other statements regarding our future operations, financial condition, prospects and business strategies. These forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this report, and in particular, the risks discussed under the heading "Risk Factors" in Part II, Item 1A of this report and those discussed in our other Securities and Exchange Commission filings. The following discussion should be read in conjunction with our Annual Report on Form 10-K as filed with the Securities and Exchange Commission in March 2010, and the audited consolidated financial statements and related notes contained therein. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements.

Overview

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

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

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

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

On April 30, 2010, we acquired 100% of the outstanding common shares and voting interest of PlanPrescriber, Inc. (formerly Experion Systems, Inc.), a privately-held company. The acquisition-date fair value of the consideration transferred totaled $28.0 million of cash. PlanPrescriber is a leading provider of online and pharmacy-based tools to help seniors navigate Medicare health insurance options. We recorded the purchase of PlanPrescriber using the acquisition method of accounting and recognized the assets acquired and liabilities assumed at their fair values as of the date of acquisition. Under the acquisition method, the total purchase price was allocated to PlanPrescriber's net tangible and intangible assets based upon their estimated fair values as of April 30, 2010. The excess purchase price over the value of the net tangible and identifiable intangible assets was recorded as goodwill. The results of operations are included in our consolidated results of operations beginning with the date of the acquisition. PlanPrescriber derives its revenue through the referral of Medicare product leads to third parties and generates most of its revenue during the annual election period for Medicare products which begins November 15th and runs through December 31st each year. PlanPrescriber is now a wholly-owned subsidiary of eHealth.

In addition to the Medicare leads PlanPrescriber captures and sells, we also refer Medicare leads from our ecommerce platform. We intend to continue to sell these and PlanPrescriber's leads to third parties and to transition to servicing leads ourselves as a health insurance agent with both online and telephonic enrollment capabilities. We are in the process of establishing these capabilities. We have entered into Medicare product agency agreements with certain health insurance carriers and have begun the process of establishing a Medicare product related customer care center. While we expect to sell Medicare-related products as a health insurance agent during the Medicare annual election period that begins in November 2010, substantially all of our Medicare revenue in 2010 will consist of lead generation revenue.

Sources of Revenue

Commission Revenue

We generate most of our revenue from commissions paid to us by health insurance carriers whose health insurance policies we have sold. Commission revenue represented 88% of our total revenue for the three and six months ended June 30, 2010 and represented 90% and 89% of our total revenue for the three and six months ended June 30, 2009, respectively.

Our commission revenue has grown principally as a result of our penetration of the individual and family health insurance market and corresponding growth in our membership. We estimate that as of June 30, 2010 we had approximately 754,900 members compared to an estimated 728,000 members and 707,100 members at December 31, 2009 and June 30, 2009, respectively. We define a member as an individual covered by an insurance product for which we are entitled to receive compensation. During the three and six months ended June 30, 2010 we experienced 3% and 4% declines, respectively, in the in number of applications submitted through us for individual and family health insurance, as well as a decline in the number of individuals approved for health insurance by our carriers, compared to the three and six months ended June 30, 2009. During the three and six months ended June 30, 2010, the number of individuals approved for individual and family major medical health insurance products declined 10% and 7%, respectively, over the number of individuals that were approved during the three and six months ended June 30, 2009. Our approved member growth has been impacted by the reduced number of submitted applications for individual and family health insurance, more stringent underwriting by our health insurance carrier partners with respect to individual and family health insurance applications and a decrease in the number of submitted applications for small business and short-term health insurance products. We believe that the decline in individual and family health insurance submitted applications in the three and six months ended June 30, 2010 was the result of several factors, including consumer confusion related to the timing and impact of potential federal health care reform

legislation, weak macro-economic conditions and the federal subsidy for health benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, or COBRA. The subsidy was implemented pursuant to the American Recovery and Reinvestment Act of 2009 and allows workers who are involuntarily terminated from employment between September 2008 and May 31, 2010 and otherwise eligible for COBRA health benefits to receive a 65% federal subsidy for COBRA health benefits. Congress has not extended or amended the eligibility period for the COBRA subsidy. As a result, workers who are involuntarily terminated after May 31, 2010 are not currently eligible to receive the subsidy, although workers who were involuntarily terminated during the eligibility period and otherwise eligible for COBRA health benefits will continue to receive the subsidy until they have exhausted their fifteen months of assistance.

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

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

Revenue attributable to individual and family product offerings represented approximately 91% of our commission revenue in the three and six months ended June 30, 2010, and represented approximately 90% of our commission revenue in the three and six months ended June 30, 2009. We define individual and family product offerings as major medical individual and family health insurance plans, which does not include small business, short-term major medical, stand-alone dental, life and student health insurance product offerings.

Sponsorship, Licensing and Other Revenue

In addition to the commission revenue we derive from the sale of health insurance products, we derive revenue from our online sponsorship advertising program, from licensing the use of our ecommerce technology and from generating and delivering qualified leads, primarily for the Medicare insurance market.

Sponsorship Revenue. Our sponsorship advertising program allows carriers to purchase advertising space in specific markets in a sponsorship area on our website. In return, we are typically paid a monthly fee and a performance fee based on metrics such as submitted or approved health insurance applications.

Technology Licensing Revenue. Our technology licensing business, referred to as eCommerce On Demand (“eOD”), allows carriers to offer their own health insurance policies on their websites and agents to utilize our technology to power their online quoting, content and application submission processes. Typically, we are paid a one-time implementation fee, which we recognize on a straight-line basis over the estimated term of the customer relationship (generally the initial term of the agreement), commencing once the technology is available for use by the third party. In addition, we typically generate revenue based on performance criteria that are either measured based on data tracked by us, or based on data tracked by the third party. In instances where the performance criteria data are tracked by us, we recognize revenue in the period of

performance. In instances where the performance criteria data are tracked by the third party, we recognize revenue when the amounts earned are both fixed and determinable and collection is reasonably assured. Typically, this occurs through our receipt of a cash payment from the third party along with a detailed statement containing the data that is tracked by the third party.

Other Revenue. Other revenue primarily consists of lead generation revenue. We derive lead generation revenue from fees paid to us through the generation and delivery of qualified leads, primarily for the Medicare insurance market. We expect our lead generation revenue to increase as a result of our acquisition of PlanPrescriber on April 30, 2010. PlanPrescriber generates most of its revenue during the annual election period for Medicare products which begins November 15th and runs through December 31st each year.

Based on information currently available to us, and considering our recent acquisition of PlanPrescriber, Inc., we expect total revenue to increase in absolute dollars in 2010 compared to 2009 as a result of growth in revenue derived from fees paid to us through the generation and delivery of qualified leads, primarily for the Medicare insurance market, as well as growth in our membership and in our licensing business. In addition, the recently enacted federal Patient Protection and Affordable Care Act and related amendments in the Health Care and Education Reconciliation Act contain provisions requiring health insurance carriers to maintain specified medical loss ratios. The medical loss ratio requirements are effective for calendar year 2011 and later years and require health insurance companies to spend 80% of their premium revenue in each of their individual and small group businesses on reimbursement for clinical services and activities that improve health care quality. The Department of Health and Human Services is expected to adopt regulations that clarify the manner in which medical loss ratios will be implemented and calculated for purposes of the legislation. It is not possible for us to determine the impact of the medical loss ratio requirements on our business prior to the promulgation of the regulations. However, the implementation of the medical loss ratio requirements as a part of health care reform could adversely impact our commission revenue beginning in 2011 as well as the revenue we receive in connection with our eOD and sponsorship advertising businesses.

Member Acquisition

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

Direct. Our direct member acquisition channel consists of consumers who access our website addresses (*www.ehealth.com* and *www.ehealthinsurance.com*) either directly or through algorithmic natural search listings on Internet search engines and directories. For the three and six months ended June 30, 2010, applications submitted through us for individual and family health insurance from our direct channel constituted 44% and 43%, respectively, of all individual and family health insurance applications submitted on our website. For the three and six months ended June 30, 2009, applications submitted through us for individual and family health insurance from our direct channel constituted 43% and 42%, respectively, of all individual and family health insurance applications submitted on our website.

Marketing Partners. Our marketing partner member acquisition channel consists of consumers who access our website through a network of affiliate partners and financial services and other companies. Growth in our marketing partner channel depends upon our expanding marketing programs with existing partners and adding new partners to our network. For the three and six months ended June 30, 2010, applications submitted through us for individual and family health insurance products from our marketing partner member acquisition channel constituted approximately 28% of all individual and family health insurance applications submitted on our website. For the three and six months ended June 30, 2009, applications submitted through us for individual and family health insurance products from our marketing partner member acquisition channel constituted approximately 33% and 34%, respectively, of all individual and family health insurance applications submitted on our website.

Online Advertising. Our online advertising member acquisition channel consists of consumers who access our website through paid keyword search advertising from search engines such as Google, MSN and Yahoo!, as well as various Internet marketing programs such as banner advertising and email marketing. For the three and six months ended June 30, 2010, applications submitted through us for individual and family health insurance products from our online advertising channel constituted approximately 28% and 29%, respectively, of all individual and family health insurance applications submitted on our website. For the three and six months ended June 30, 2009, applications submitted through us for individual and family health insurance products from our online advertising channel constituted approximately 24% of all individual and family health insurance applications submitted on our website.

We experienced 3% and 4% declines, respectively, in the number of applications submitted through us for individual and family health insurance in the three and six months ended June 30, 2010 compared to the three and six months ended June 30, 2009. The 3% decline in the number of applications submitted through us for individual and family health insurance in the three months ended June 30, 2010 compared to the three months ended June 30, 2009 was comprised of a 16% decline in the number of applications submitted through our marketing partner channel and a 2% decline in the number of applications submitted through our direct channel, partially offset by 12% growth in the number of applications submitted through our online advertising channel. The 4% decline in the number of applications submitted through us for individual and family health insurance in the six months ended June 30, 2010 compared to the six months ended June 30, 2009 was comprised of a 21% decline in the number of applications submitted through our marketing partner channel, partially offset by 13% growth in the number of applications submitted through our online advertising channel and 1% growth in the number of applications submitted through our direct channel. We believe that our individual and family health insurance submitted application growth rate has been adversely impacted by several factors, including consumer confusion relating to the timing and impact of potential federal health care reform legislation, weak macro-economic conditions and the 65% federal subsidy for health benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, or COBRA. The subsidy was implemented pursuant to the American Recovery and Reinvestment Act of 2009 and allows workers who are involuntarily terminated from employment between September 2008 and May 31, 2010 and otherwise eligible for COBRA health benefits to receive a 65% federal subsidy for COBRA health benefits. Congress has not extended or amended the eligibility period for the COBRA subsidy. As a result, workers who are involuntarily terminated after May 31, 2010 are not currently eligible to receive the subsidy, although workers who were involuntarily terminated during the eligibility period and otherwise eligible for COBRA health benefits will continue to receive the subsidy until they have exhausted their fifteen months of assistance.

Operating Costs and Expenses

Cost of Revenue-Sharing

Cost of revenue-sharing consists of payments related to health insurance policies sold to members who were referred to our website by marketing partners with whom we have revenue-sharing arrangements. In order to enter into a revenue-sharing arrangement, these marketing partners must be licensed to sell health insurance in the state where the policy is sold. Costs related to revenue-sharing arrangements are expensed as the related revenue is recognized.

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

Marketing and Advertising

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

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

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

Our average cost of acquiring new members, if measured as total consolidated marketing and advertising expenses for the quarter divided by the number of individuals included on applications for individual and family health insurance submitted during the quarter, was $79.51 in the three months ended June 30, 2010 compared to $73.45 in the three months ended June 30, 2009. This increase in our cost of acquisition was primarily driven by an increase in online advertising expenses, which resulted from an increase in paid keyword search advertising costs on Internet search engines, a decline in the rate at which individuals coming to our ecommerce platform through our marketing partner and direct member acquisition channels submitted individual and family health insurance applications. Additionally, our acquisition of PlanPrescriber increased our total consolidated marketing and advertising expenses for the three months ended June 30, 2010. PlanPrescriber's current Medicare business model is referral based. While we recognize revenue relating to these referrals, they do not increase our membership base because we do not act as a health insurance agent for the referral. As a result, the cost of acquisition metric we have historically provided is adversely impacted due to an incremental increase in marketing and advertising expense for a period without any offsetting increase in membership. Our cost of acquisition depends significantly on the rate at which visitors to our website submit health insurance applications, particularly with respect to paid search advertising, as our paid search costs are incurred on the referral of a potential member rather than on the submission of a health insurance application. Other factors that may impact the average cost of acquiring new members include the amount of marketing and advertising expense attributable to our lead generation business, the mix of health insurance applications submitted through our three marketing channels, the mix of marketing partners referring consumers to our website, the overall trend in costs of online marketing, seasonality patterns, the amounts we pay marketing partners to refer consumers to our website, television and radio advertising expenditures, and an increase in compensation and benefits costs for marketing and advertising personnel. Additionally, we may explore new marketing initiatives that increase per member acquisition costs as part of our efforts to drive more consumers to our website or increase our brand awareness.

We expect our marketing and advertising expenses to increase in absolute dollars in 2010 compared to 2009 primarily due to an increase in our online marketing and advertising expenditures during 2010, including paid keyword search advertising, incremental online marketing expenses of PlanPrescriber and additional marketing activities related to Medicare health insurance. As a result, we expect the average cost of acquiring new members, measured as total consolidated marketing and advertising expenses for the period divided by the number of individuals included on applications for individual and family health insurance submitted during the period, to be higher in 2010 compared to 2009. As a percentage of total revenue in 2010, we expect our marketing and advertising expense to be equal to or higher than our 2009 expense as a percentage of total revenue.

Customer Care and Enrollment

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

Technology and Content

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

General and Administrative

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

Amortization of Acquired Intangible Assets

Acquired intangible assets with finite useful lives, which include purchased technology, customer relationships, tradenames, trademarks and website addresses, are amortized over their estimated useful lives and will be reviewed for impairment annually or whenever facts or circumstances suggest that the carrying value of these assets may not be recoverable.

Summary of Selected Metrics

The following table shows certain selected quarterly metrics as of June 30, 2009 and 2010 and for the three months ended June 30, 2009 and 2010:

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2010
Key Metrics:		
Operating cash flows (1)	$ 8,311,000	$ 8,164,000
IFP submitted applications (2)	121,000	117,200
IFP approved members (3)	103,400	93,400
Total approved members (4)	135,800	122,700
Total revenue (5)	$ 33,439,000	$ 36,256,000
Total revenue per estimated member for the period (6)	$ 48.21	$ 48.02

	As of June 30, 2009	As of June 30, 2010
IFP estimated membership (7)	614,800	660,500
Total estimated membership (8)	707,100	754,900

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2010
Marketing and advertising expenses (9)	$ 12,945,000	$ 13,883,000
Marketing and advertising expenses as a percentage of total revenue (10)	39%	38%
Other Metrics:		
Source of IFP submitted applications (as a percentage of total IFP applications for the period):		
Direct (11)	43%	44%
Marketing partners (12)	33%	28%
Online advertising (13)	24%	28%
Total	100%	100%
Acquisition cost per individual on IFP submitted applications (14)	$ 73.45	$ 79.51

Notes:

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

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

(3) New IFP members reported to eHealth as approved during the period. Some members that are approved by a carrier do not accept the approval and therefore do not become paying members. Does not include members transferred from Health Benefits Direct Corporation during 2009.

(4) New members for all products reported to eHealth as approved during the period. Some members that are approved by a carrier do not accept the approval and therefore do not become paying members. Does not include members transferred from Health Benefits Direct Corporation during 2009.

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

(6) Calculated as total revenue recognized during the period (see note (5) above) divided by average estimated membership for the period (calculated as beginning and ending estimated membership for all products for the period, divided by two). Amounts as of June 30, 2009 and 2010 include an estimated 30,000 and 15,000 members, respectively, transferred from Health Benefits Direct Corporation as of each date, net of estimated cancelations since their transfer.

(7) Estimated number of members active on IFP insurance policies as of the date indicated. Amounts as of June 30, 2009 and 2010 include an estimated 30,000 and 15,000 members, respectively, transferred from Health Benefits Direct Corporation as of each date, net of estimated cancelations since their transfer.

(8) Estimated number of members active on all insurance policies as of the date indicated. Amounts as of June 30, 2009 and 2010 include an estimated 30,000 and 15,000 members, respectively, transferred from Health Benefits Direct Corporation as of each date, net of estimated cancelations since their transfer.

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

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

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

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

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

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

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

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

Critical Accounting Policies and Estimates

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

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

Revenue Recognition

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

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

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

Certain commission amounts are subject to forfeiture in circumstances where a member has prepaid his or her premium for a future period of coverage and subsequently cancels his or her policy before the completion of that period. We estimate and record an allowance for these forfeitures based on historical cancellation experience using data provided on commission statements. The forfeitures are typically reported to us by health insurance carriers one to two months after the commission

is reported and paid to us by the carrier. Our estimate of the allowance for forfeitures includes an estimate of both the reporting time lag and the forfeiture amount. Changes in our historical trends would result in changes to our estimated forfeitures in future periods. There were no changes in our average forfeiture rates or reporting time lag during the three and six months ended June 30, 2009 and 2010 which had a material impact on our allowance for forfeitures.

In addition to the commission revenue we derive from the sale of health insurance products, we derive revenue from our online sponsorship advertising program, from licensing the use of our ecommerce technology and from generating and delivering qualified leads, primarily for the Medicare insurance market.

Sponsorship Revenue. Our sponsorship advertising program allows carriers to purchase advertising space in specific markets in a sponsorship area on our website. In return, we are typically paid a monthly fee, which is recognized over the period that advertising is displayed, and often a performance fee based on metrics such as submitted health insurance applications.

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

Other Revenue. Other revenue primarily consists of lead generation revenue. We derive lead generation revenue from fees paid to us through the generation and delivery of qualified leads, primarily for the Medicare insurance market. We expect our lead generation revenue to increase as a result of our acquisition of PlanPrescriber on April 30, 2010. PlanPrescriber generates most of its revenue during the annual election period for Medicare products which begins November 15th and runs through December 31st each year. We recognize lead generation revenue when persuasive evidence of an arrangement exists, delivery of a lead has occurred, the fee is fixed or determinable and collectability is reasonably assured. Delivery is deemed to have occurred at the time a qualified lead is delivered to the customer. We may credit a lead recipient for certain leads if they fail to meet contractual guidelines.

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

Stock-Based Compensation

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

Future stock-based compensation expense is dependent upon the fair value of each option at the date each option is granted and the number of awards issued and outstanding during each period. We expect stock-based compensation expense will increase in the future to the extent the number of equity awards issued and outstanding increases.

Goodwill and Acquired Intangible Assets

Goodwill represents the excess of the consideration paid over the estimated fair value of assets acquired and liabilities assumed in the business acquisition of PlanPrescriber. We do not amortize goodwill but will test for impairment on an annual basis in the fourth quarter and whenever we become aware of any events occurring or changes in circumstances that would indicate a reduction in its fair value below its carrying amount.

We assess the impairment of goodwill and acquired intangible assets when events or changes in circumstances indicate that the carrying value of the assets or the asset grouping may not be recoverable. Factors that we consider in deciding when to perform an impairment review include significant negative industry or economic trends or significant changes or planned changes in our use of the assets. We measure the recoverability of assets that will continue to be used in our operations by comparing the carrying value of the asset grouping to our estimate of the related total future undiscounted net cash flows. If an asset grouping's carrying value is not recoverable through the related undiscounted cash flows, the asset grouping is considered to be impaired. The impairment is measured by comparing the difference between the asset grouping's carrying value and its fair value. Fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. Goodwill and intangible assets are considered non-financial assets, and are recorded at fair value only when an impairment charge is recognized.

Acquired intangible assets with finite useful lives, which include purchased technology, customer relationships, tradenames, trademarks and website addresses, are amortized over their estimated useful lives and will be reviewed for impairment annually in the fourth quarter or when facts or circumstances suggest that the carrying value of these assets may not be recoverable. We must make subjective judgments in determining the independent cash flows that can be related to specific asset groupings. In addition, we must make subjective judgments regarding the remaining useful lives of assets. When we determine that the useful lives of assets are shorter than we had originally estimated, we accelerate the rate of depreciation over the assets' new, shorter useful lives.

Accounting for Income Taxes

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

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

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes. This process involves estimating our actual current tax expense together with assessing temporary differences that may result in deferred tax assets, as well as discrete tax items during the period, such as excess tax benefits related to share-based payments. During the three and six months ended June 30, 2010, we recorded a provision for income taxes of $2.7 million and $5.4 million, respectively, representing effective tax rates of approximately 47.0% and 46.2%, respectively. Our effective tax rate in the three and six months ended June 30, 2010 was higher than statutory federal and state tax rates primarily due to non-deductible lobbying expenses, tax shortfalls related to share-based payments and non-deductible acquisition-related costs incurred as a result of the purchase of PlanPrescriber. During the three and six months ended June 30, 2009, we recorded a provision for income taxes of $3.1 million and $6.0 million, respectively, representing effective tax rates of approximately 44.0% and 45.6%, respectively. Our effective tax rate in the three and six months ended June 30, 2009 was higher than statutory federal and state tax rates primarily due to non-deductible lobbying expenses and tax shortfalls related to share-based payments.

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

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

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

As of December 31, 2009 and June 30, 2010, we had approximately $3.0 million and $3.1 million, respectively, of unrecognized tax benefits. As of December 31, 2009 and June 30, 2010, there were $2.4 million and $2.5 million, respectively, of unrecognized tax benefits, that, if recognized, would impact the effective tax rate. Due to net operating losses, all tax years after 1998 are open to examination and adjustment.

Fair Value Measurements

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

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

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

Results of Operations

The following table sets forth our operating results and the related percentage of total revenues for the three and six months ended June 30, 2009 and 2010 (dollars in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009		2010		2009		2010	
Revenue:								
Commission	$29,939	90%	$31,872	88%	$58,143	89%	$63,645	88%
Sponsorship, licensing and other	3,500	10	4,384	12	7,213	11	8,600	12
Total revenue	33,439	100	36,256	100	65,356	100	72,245	100
Operating costs and expenses:								
Cost of revenue-sharing	1,318	4	881	2	2,118	3	1,859	3
Marketing and advertising	12,945	39	13,883	38	26,365	40	28,701	40
Customer care and enrollment	3,627	11	3,902	11	7,449	11	7,848	11
Technology and content	3,828	11	4,999	14	7,413	11	9,580	13
General and administrative	4,851	15	6,554	18	9,552	15	12,321	17
Amortization of acquired intangible assets	—		285	1	—		285	0
Total operating costs and expenses	26,569	79	30,504	84	52,897	81	60,594	84
Income from operations	6,870	21	5,752	16	12,459	19	11,651	16
Interest and other income, net	258	1	(12)	(0)	657	1	16	0
Income before income taxes	7,128	21	5,740	16	13,116	20	11,667	16
Provision for income taxes	3,134	9	2,699	7	5,979	9	5,393	7
Net income	$ 3,994	12%	$ 3,041	8%	$ 7,137	11%	$ 6,274	9%

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Marketing and advertising	$ 254	$ 201	$ 396	$ 408
Customer care and enrollment	89	88	148	181
Technology and content	304	413	502	856
General and administrative	550	894	1,092	1,804
Total	$ 1,197	$ 1,596	$2,138	$3,249

Three and Six Months Ended June 30, 2009 and 2010

Revenue

The following table presents our commission, sponsorship, licensing and other and total revenue and the absolute dollar and percentage changes from the comparable prior year periods (dollars in thousands):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2009	2010	$	%	2009	2010	$	%
Commission	$29,939	$31,872	$1,933	6%	$58,143	$63,645	$5,502	9%
Percentage of total revenue	90%	88%			89%	88%		
Sponsorship, licensing and other	$ 3,500	$ 4,384	$ 884	25%	$ 7,213	$ 8,600	$1,387	19%
Percentage of total revenue	10%	12%			11%	12%		
Total revenue	$33,439	$36,256	$2,817	8%	$65,356	$72,245	$6,889	11%

Three Months Ended June 30, 2010 and 2009—Commission revenue increased $1.9 million, or 6%, in the three months ended June 30, 2010 compared to the three months ended June 30, 2009, primarily due to an increase in our membership. Our estimated membership increased approximately 7% to 754,900 at June 30, 2010 from 707,100 at June 30, 2009. Sponsorship, licensing and other revenue increased $0.9 million, or 25%, in the three months ended June 30, 2010 compared to the three months ended June 30, 2009, primarily due to an increase in lead generation revenue related to our acquisition of PlanPrescriber and an increase in revenue related to sales of carrier sponsorship advertising on our website.

Six Months Ended June 30, 2010 and 2009—Commission revenue increased $5.5 million, or 9%, in the six months ended June 30, 2010 compared to the six months ended June 30, 2009, primarily due to an increase in our membership. Sponsorship, licensing and other revenue increased $1.4 million, or 19%, in the six months ended June 30, 2010 compared to the six months ended June 30, 2009, due to an increase in lead generation revenue related to our acquisition of PlanPrescriber, an increase in revenue from licensing arrangements related to our technology and an increase in revenue related to sales of carrier sponsorship advertising on our website.

Substantially all revenue for all periods presented was generated from customers located in the United States. The following carriers (including carriers owned by them) represented 10% or more of our total revenue for the three and six months ended June 30, 2009 and 2010:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Aetna	17%	15%	16%	15%
UnitedHealthcare	14%	14%	14%	15%
Wellpoint	15%	14%	15%	14%

Based on information currently available to us, and considering our recent acquisition of PlanPrescriber, Inc., we expect total revenue to increase in absolute dollars in 2010 compared to 2009 as a result of growth in revenue derived from fees paid to us through the generation and delivery of qualified leads, primarily for the Medicare insurance market, as well as growth in our membership and in our sponsorship and licensing businesses.

Operating Costs and Expenses

Cost of Revenue-Sharing

The following table presents our cost of revenue-sharing and the absolute dollar and percentage change from the comparable prior year periods (dollars in thousands):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2009	2010	$	%	2009	2010	$	%
Cost of revenue-sharing	$ 1,318	$ 881	$(437)	(33)%	$2,118	$1,859	$(259)	(12)%
Percentage of total revenue	4%	2%			3%	3%		

Three Months Ended June 30, 2010 and 2009—Cost of revenue-sharing decreased $0.4 million, or 33%, for the three months ended June 30, 2010 compared to the three months ended June 30, 2009. Commission revenue generated by the HBDC agreement decreased in the three months ended June 30, 2010 compared to the three months ended June 30, 2009, resulting in a decrease in revenue-sharing expense related to HBDC. As a percentage of total revenue, cost of revenue-sharing decreased to 2% for the three months ended June 30, 2010 from 4% for the three months ended June 30, 2009.

Six Months Ended June 30, 2010 and 2009—Cost of revenue-sharing decreased $0.3 million, or 12%, for the six months ended June 30, 2010 compared to the six months ended June 30, 2009. Commission revenue generated by the HBDC agreement decreased in the six months ended June 30, 2010 compared to the six months ended June 30, 2009 resulting in a decrease in revenue-sharing expense related to HBDC. As a percentage of total revenue, cost of revenue-sharing remained at 3% for the six months ended June 30, 2010 and 2009.

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

Marketing and Advertising

The following table presents our marketing and advertising expenses and the absolute dollar and percentage change from the comparable prior year periods (dollars in thousands):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2009	2010	$	%	2009	2010	$	%
Marketing and advertising	$12,945	$13,883	$938	7%	$26,365	$28,701	$2,336	9%
Percentage of total revenue	39%	38%			40%	40%		

Three Months Ended June 30, 2010 and 2009—Marketing and advertising expenses increased $0.9 million, or 7%, for the three months ended June 30, 2010 compared to the three months ended June 30, 2009. This was primarily due to an increase of $1.3 million in our online advertising expenses as a result of an increase in paid keyword search advertising costs on Internet search engines, as the cost and number of click-throughs from the online advertising channel increased. Additionally, marketing and advertising expenses increased $0.3 million due to incremental online advertising expenses of PlanPrescriber. Partially offsetting this increase was a decrease of $0.6 million in fees we pay to marketing partners for referrals that result in the submission of a health insurance application on our website. Our acquisition cost per member,

measured as total marketing and advertising expenses for the quarter divided by the number of members included on applications for individual and family product offerings submitted during the quarter, increased 8% to $79.51 in the three months ended June 30, 2010 from $73.45 in the three months ended June 30, 2009. In the three months ended June 30, 2010 we experienced a decline in the rate at which individuals coming to our ecommerce platform through our marketing partner member acquisition channel submitted health insurance applications. As a percentage of total revenue, total marketing and advertising expenses decreased to 38% in the three months ended June 30, 2010 from 39% in the three months ended June 30, 2009.

Six Months Ended June 30, 2010 and 2009—Marketing and advertising expenses increased $2.3 million, or 9%, for the six months ended June 30, 2010 compared to the six months ended June 30, 2009. This was primarily due to an increase of $4.1 million in our online advertising expenses as a result of an increase in paid keyword search advertising costs on Internet search engines, as the cost and number of click-throughs from the online advertising channel increased. Additionally, marketing and advertising expenses increased $0.3 million due to incremental online advertising expenses of PlanPrescriber. Partially offsetting this increase was a decrease of $1.9 million in fees we pay to marketing partners for referrals that result in the submission of a health insurance application on our website. In the six months ended June 30, 2010 we experienced a decline in the rate at which individuals coming to our ecommerce platform through our marketing partner member acquisition channel submitted health insurance applications. As a percentage of total revenue, total marketing and advertising expenses remained at 40% in the six months ended June 30, 2010 and 2009.

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

Customer Care and Enrollment

The following table presents our customer care and enrollment expenses and the absolute dollar and percentage change from the comparable prior year periods (dollars in thousands):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2009	2010	$	%	2009	2010	$	%
Customer care and enrollment	$3,627	$3,902	$275	8%	$7,449	$7,848	$399	5%
Percentage of total revenue	11%	11%			11%	11%		

Three Months Ended June 30, 2010 and 2009—Customer care and enrollment expenses increased $0.3 million, or 8%, for the three months ended June 30, 2010 compared to the three months ended June 30, 2009, primarily due to an increase in compensation and benefits costs associated with an increase in personnel servicing health insurance applications submitted through our website. As a percentage of total revenue, customer care and enrollment expenses remained at 11% in the three months ended June 30, 2010 and 2009.

Six Months Ended June 30, 2010 and 2009—Customer care and enrollment expenses increased $0.4 million, or 5%, for the six months ended June 30, 2010 compared to the six months ended June 30, 2009, primarily due to an increase in compensation and benefits costs associated with an increase in personnel servicing health insurance applications submitted through our website. As a percentage of total revenue, customer care and enrollment expenses remained at 11% in the six months ended June 30, 2010 and 2009.

We expect customer care and enrollment expenses to increase in absolute dollars in 2010 compared to 2009 as a result of additional personnel and expenditures necessary to develop future Medicare insurance sales capabilities, as well as costs related to our new Medicare call center facility.

Technology and Content

The following table presents our technology and content expenses and the absolute dollar and percentage change from the comparable prior year periods (dollars in thousands):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2009	2010	$	%	2009	2010	$	%
Technology and content	$3,828	$4,999	$1,171	31%	$7,413	$9,580	$2,167	29%
Percentage of total revenue	11%	14%			11%	13%		

Three Months Ended June 30, 2010 and 2009—Technology and content expenses increased $1.2 million, or 31%, for the three months ended June 30, 2010 compared to the three months ended June 30, 2009. This increase was primarily due to an increase of $0.8 million in compensation and benefits costs associated with an increase in technology and content personnel, including an increase in personnel dedicated to Medicare insurance and eCommerce On Demand. Additionally, equipment maintenance and stock-based compensation expenses increased $0.2 million in the three months ended June 30, 2010 compared to the three months ended June 30, 2009. As a percentage of total revenue, technology and content costs increased to 14% in the three months ended June 30, 2010 from 11% in the three months ended June 30, 2009.

Six Months Ended June 30, 2010 and 2009—Technology and content expenses increased $2.2 million, or 29%, for the six months ended June 30, 2010 compared to the six months ended June 30, 2009. This increase was primarily due to an increase of $1.4 million in compensation and benefits costs associated with an increase in technology and content personnel, including an increase in personnel dedicated to Medicare insurance and eCommerce On Demand. Additionally, stock-based compensation expense increased $0.4 million due to additional equity grants to employees in our technology and content departments and expenses for equipment maintenance and temporary labor increased $0.3 million in the six months ended June 30, 2010 compared to the six months ended June 30, 2009. As a percentage of total revenue, technology and content costs increased to 13% in the six months ended June 30, 2010 from 11% in the six months ended June 30, 2009.

We expect technology and content expenses to increase in absolute dollars in 2010 compared to 2009 due to our continued focus on technology development, eCommerce On Demand implementations, an increase in technology and content employees and the enhancement of our current ecommerce platform for Medicare insurance products.

General and Administrative

The following table presents our general and administrative expenses and the absolute dollar and percentage change from the comparable prior year periods (dollars in thousands):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2009	2010	$	%	2009	2010	$	%
General and administrative	$4,851	$6,554	$1,703	35%	$9,552	$12,321	$2,769	29%
Percentage of total revenue	15%	18%			15%	17%		

Three Months Ended June 30, 2010 and 2009—General and administrative expenses increased $1.7 million, or 35%, for the three months ended June 30, 2010 compared to the three months ended June 30, 2009 primarily due to a $0.8 million increase in professional fees associated with consulting services, a $0.4 million increase in stock-based compensation expense due to additional equity grants to employees in our general and administrative departments and to members of our board of directors, a $0.4 million increase in compensation and benefits costs due to an increase in general and administrative personnel as a result of our acquisition of PlanPrescriber and $0.3 million of acquisition-related costs related to our purchase of PlanPrescriber. Partially offsetting these increases was a decrease of $0.2 million in other professional fees. As a percentage of total revenue, general and administrative expenses increased to 18% in the three months ended June 30, 2010 from 15% in the three months ended June 30, 2009.

Six Months Ended June 30, 2010 and 2009—General and administrative expenses increased $2.8 million, or 29%, for the six months ended June 30, 2010 compared to the six months ended June 30, 2009, primarily due to a $1.4 million increase in professional fees associated with consulting services, a $0.7 million increase in stock-based compensation expense due to additional equity grants to employees in our general and administrative departments and to members of our board of directors, $0.6 million of acquisition-related costs related to our purchase of PlanPrescriber and a $0.6 million increase in compensation and benefits costs due to an increase in general and administrative personnel as a result of our acquisition of PlanPrescriber. Partially offsetting these increases was a decrease of $0.7 million in other professional fees. As a percentage of total revenue, general and administrative expenses increased to 17% in the six months ended June 30, 2010 from 15% in the six months ended June 30, 2009.

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

Amortization of Acquired Intangible Assets

Amortization expense related to intangible assets purchased through our acquisition of PlanPrescriber on April 30, 2010 was $0.3 million in the three and six months ended June 30, 2010. Amortization expense related to acquired intangible assets is expected to increase to $0.4 million per quarter in the second half of 2010.

Interest and Other Income (Loss), Net

The following table presents our interest and other income, net, and the absolute dollar and percentage change from the comparable prior year periods (dollars in thousands):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2009	2010	$	%	2009	2010	$	%
Interest and other income (loss), net	$ 258	$ (12)	$(270)	(105)%	$ 657	$ 16	$(641)	(98)%
Percentage of total revenue	1%	(0)%			1%	0%		

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

Three and Six Months Ended June 30, 2010 and 2009—Interest and other income (loss), net, decreased in the three and six months ended June 30, 2010 compared to the three and six months ended June 30, 2009, primarily due to a decline in the average yield earned on our invested cash, cash equivalents and marketable securities. The decline in the average yield was primarily due to a general market decline in interest rates. Administrative bank fees, investment management fees and interest expense on our capital lease obligations offset interest earned on our cash, cash equivalents and marketable securities in the three and six months ended June 30, 2010. Cash, cash equivalents and marketable securities decreased to $141.3 million at June 30, 2010 from $159.8 million at June 30, 2009 due to $27.2 million of net cash used for the acquisition of PlanPrescriber, partially offset by cash generated from operations.

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

Provision for Income Taxes

The following table presents our provision for income taxes and the absolute dollar change from the comparable prior year periods (dollars in thousands):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2009	2010	$	%	2009	2010	$	%
Provision for income taxes	$3,134	$2,699	$(435)	(14)%	$5,979	$5,393	$(586)	(10)%
Percentage of total revenue	9%	7%			9%	7%		

Three and Six Months Ended June 30, 2010 and 2009—During the three and six months ended June 30, 2010, we recorded provision for income taxes of $2.7 million and $5.4 million, respectively, representing effective tax rates of 47.0% and 46.2%, respectively. During the three and six months ended June 30, 2009, we recorded provisions for income taxes of $3.1 million and $6.0 million, respectively, representing effective tax rates of 44.0% and 45.6%. Our effective tax rate in the three and six months ended June 30, 2010 was higher than statutory federal and state tax rates due primarily to non-deductible lobbying expenses, tax shortfalls related to share-based payments and non-deductible acquisition-related costs incurred as a result of our purchase of PlanPrescriber. Our effective tax rate in the three and six months ended June 30, 2009 was higher than statutory federal and state tax rates due primarily to non-deductible lobbying expenses and tax shortfalls related to share-based payments.

Liquidity and Capital Resources

At June 30, 2010, our cash and cash equivalents totaled $141.3 million. Cash equivalents are comprised of financial instruments with an original maturity of 90 days or less from the date of purchase, primarily money market funds. At June 30, 2010 we held no marketable securities.

The following table presents a summary of our cash flows for the six months ended June 30, 2009 and 2010 (in thousands):

	Six Months Ended June 30,	
	2009	2010
Net cash provided by operating activities	$13,033	$11,257
Net cash used in investing activities	$ (3,932)	$ (6,447)
Net cash provided by (used in) financing activities	$ (1,617)	$ 5,123

The cash flow statement for the six months ended June 30, 2010 included a $4.9 million cash flow benefit from deferred income taxes, which primarily resulted from the utilization of $5.2 million of excess tax benefits related to share-based payments. The cash flow statement for the six months ended June 30, 2009 included a $3.2 million cash flow benefit from deferred income taxes, which primarily resulted from the utilization of $2.6 million of excess tax benefits related to share-based payments. The utilization of excess tax benefits related to share-based payments is also shown in the cash flow statements for the six months ended June 30, 2009 and 2010 as both a decrease in cash flow from operating activities and an increase in cash flow from financing activities.

We recorded the purchase of PlanPrescriber using the acquisition method of accounting and recognized the assets acquired and liabilities assumed at their fair values as of the date of acquisition. The results of operations are included in our consolidated results of operations beginning since the date of the acquisition. We do not expect the acquisition and integration of PlanPrescriber to have a material adverse impact on our liquidity, capital resources and interest income earned on our invested cash and cash equivalents for the remainder of 2010.

On July 27, 2010, we announced that our board of directors approved a stock repurchase program authorizing eHealth to purchase up to $30 million of its common stock. Purchases under the repurchase program may be made in open market or unsolicited negotiated transactions and are expected to comply with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The timing of purchases and the exact number of shares to be purchased will depend upon market conditions. The repurchase program does not require eHealth to acquire a specific number of shares, and the repurchase program may be suspended from time to time or discontinued at any time. We do not expect the stock repurchase program to have a material adverse impact on our interest income earned on our invested cash and cash equivalents for the remainder of 2010.

Operating Activities

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

Six Months Ended June 30, 2010—Our operating activities generated cash of $11.3 million during the six months ended June 30, 2010 and consisted of net income of $6.3 million, increased by non-cash items of $4.3 million and cash provided for working capital and other activities of $0.7 million. Adjustments for non-cash items primarily consisted of $4.9 million of deferred income taxes, $3.2 million of stock-based compensation expense and $1.3 million of depreciation and amortization, partially offset by $5.2 million of excess tax benefits from stock-based compensation. Cash provided for working capital and other activities primarily consisted of a decrease of $0.7 million in prepaid expenses and other current assets and an increase of $0.7 million in accrued compensation and benefits, partially offset by a decrease of $1.2 million in other current liabilities.

Six Months Ended June 30, 2009—Our operating activities generated cash of $13.0 million during the six months ended June 30, 2009 and consisted of net income of $7.1 million adjusted by non-cash items of $4.2 million and cash provided for working capital and other activities of $1.7 million. Adjustments for non-cash items primarily consisted of $3.2 million of deferred income taxes, $2.1 million of stock-based compensation expense, $1.1 million of depreciation and amortization and $0.4 million of amortization and accretion on marketable securities, net, partially offset by $2.6 million of excess tax benefits from stock-based compensation. Cash provided by working capital and other activities primarily consisted of an increase of $1.6 million in other current liabilities and an increase of $0.8 million in accrued marketing expenses, partially offset by an increase of $0.6 million in prepaid expenses and other current assets and a decrease of $0.4 million in accounts payable.

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

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

Investing Activities

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

Six Months Ended June 30, 2010—Net cash used in investing activities of $6.4 million during the six months ended June 30, 2010 was attributable to cash used for the acquisition of PlanPrescriber of $27.2 million and capital expenditures of $1.3 million, partially offset by maturities of marketable securities of $22.1 million.

Six Months Ended June 30, 2009—Net cash used in investing activities of $3.9 million during the six months ended June 30, 2009 was primarily attributable to purchases of marketable securities of $38.5 million, consideration of $1.3 million paid to HBDC in connection with customer transition and marketing agreements with HBDC and capital expenditures of $0.5 million, partially offset by maturities and sales of marketable securities of $35.4 million and $1.0 million, respectively.

Financing Activities

Six Months Ended June 30, 2010—Net cash provided by financing activities of $5.1 million during the six months ended June 30, 2010 was due to $5.2 million of excess tax benefits from stock-based compensation and $0.5 million of proceeds received from the issuance of common stock pursuant to stock option exercises, partially offset by $0.6 million used to net-share settle the tax obligation related to equity awards.

Six Months Ended June 30, 2009—Net cash used in financing activities of $1.6 million during the six months ended June 30, 2009 was due to $4.6 million used to repurchase 361,841 shares of our common stock, partially offset by $2.6 million of non-cash excess tax benefits from stock-based compensation and $0.4 million of net proceeds received from the issuance of common stock pursuant to stock option exercises.

Future Needs

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

Contractual Obligations and Commitments

The following table presents a summary of our future minimum payments under non-cancellable operating and capital lease agreements and certain contractual service and licensing obligations as of June 30, 2010 (in thousands):

Years Ending December 31,	Operating Lease Obligations	Service and Licensing Obligations	Total Obligations
2010 (6 months)	$ 1,455	$ 346	$ 1,801
2011	2,680	260	2,940
2012	2,227	—	2,227
2013	319	—	319
2014	206	—	206
Total	$ 6,887	$ 606	$ 7,493

Operating Lease Obligations

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

During 2009, we extended the operating lease for our facility in San Francisco, California for an additional five years, expiring in October 2014 and expanded the operating lease for our facility in China to include additional office space. We acquired an operating lease for our PlanPrescriber facility in Maynard, Massachusetts, which expires in May 2013.

Service and Licensing Obligations

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

As of June 30, 2010, we had unrecognized tax benefits of $3.0 million classified as other non-current liabilities in the consolidated balance sheet. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in individual years due to uncertainties in the timing of potential tax audits and their outcomes, should they occur; therefore, such amounts are not included in the above contractual obligation table.

Off-Balance Sheet Arrangements

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

Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2009-13—*Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force* ("ASU 2009-13"). ASU 2009-13 addresses how to measure and allocate arrangement consideration to one or more units of accounting within certain multiple-deliverable arrangements. ASU 2009-13 modifies the requirements for determining whether a deliverable can be treated as a separate unit of accounting by removing the criterion that objective evidence of fair value must exist for the undelivered elements. ASU 2009-13 is effective for the Company prospectively for revenue arrangements entered into or materially modified beginning January 1, 2011. Early adoption is permitted. Currently, we evaluating the impact adoption will have on our financial condition and results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Sensitivity

As of June 30, 2010, we had cash and cash equivalents of $141.3 million, which consisted primarily of cash and highly liquid money market instruments. Although we did not hold any marketable securities as of June 30, 2010, we have invested in marketable securities in the past and intend to do so in the future.

The primary objective of our investment activities is to preserve principal. Some of the securities in which we invest may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk, we maintain our portfolio of highly liquid cash equivalents and marketable securities in a variety of instruments, including money market funds, commercial paper, corporate and U.S. government-sponsored enterprise debt securities and certificates of deposit. We do not use financial instruments for trading or other speculative purposes, nor do we use leveraged financial instruments. Our investment policy limits investments to certain types of securities issued by institutions with investment-grade credit ratings and places restrictions on maturities and concentration by type and issue. The policy also prohibits investing in certain types of instruments including asset-backed securities, mortgage-backed securities, collateralized bond, debt and mortgage obligations, tax exempt securities, auction rate securities and derivatives. If overall interest rates had been 10% lower during the three and six months ended June 30, 2010, our interest income would not have been materially impacted during that period, assuming a consistent level in our cash, cash equivalents and marketable securities.

Foreign Currency Exchange Risk

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

Credit Risk

Our financial instruments that are exposed to concentrations of credit risk principally consist of cash, cash equivalents, marketable securities and accounts receivable. As of December 31, 2009 and June 30, 2010, our cash, cash equivalents and marketable securities were invested as follows (in thousands):

	December 31, 2009	June 30, 2010
Cash(1)	$ 7,085	$ 6,865
Money market funds(2)	124,254	134,413
Bonds, commercial paper and certificates of deposit:		
Government sector	17,891	—
Financial sector	3,054	—
Industrial sector	1,239	—
Total cash, cash equivalents and marketable securities	$ 153,523	$ 141,278

(1) We deposit our cash, cash equivalents and marketable securities in accounts with major banks and financial institutions and such deposits are in excess of federally insured limits.

(2) At December 31, 2009 and June 30, 2010, money market funds consisted of U.S. government-sponsored enterprise bonds and discount notes, U.S. government treasury bills and notes and repurchase agreements collateralized by U.S. government obligations.

During the three and six months ended June 30, 2009 and 2010, net unrealized gains and losses incurred on our marketable securities were not significant, and we did not realize any losses on our marketable securities during the three and six months ended June 30, 2009 and 2010.

We do not require collateral or other security for our accounts receivable. As of June 30, 2010, three customers represented 15%, 18% and 18%, respectively, for a total of 51% of our $2.6 million outstanding accounts receivable. No other customers represented 10% or more of our total accounts receivable. We believe the potential for collection issues with any of our customers is minimal. Accordingly, we have not recorded an allowance for uncollectible amounts at June 30, 2010.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Our Disclosure Controls and Procedures

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

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

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

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

Risks Related to Our Business

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

Our business depends upon the private sector of the United States health insurance system, its relative role in financing health care delivery and health insurance carriers' use of, and payment of commissions to, agents and brokers to market individual and family health insurance products. In March 2010, the federal Patient Protection and Affordable Care Act and related amendments in the Health Care and Education Reconciliation Act were signed into law. These health care reform laws contain provisions that will change the industry in which we operate in substantial ways. Among several other provisions, they include a mandate requiring individuals to be insured or face tax penalties; a mandate that certain employers offer their employees group health insurance coverage or face tax penalties; requirements relating to employer contribution to employee health coverage; prohibitions against insurance companies using pre-existing health conditions as a reason to deny an application for health insurance; prohibitions on rescission of health insurance; prohibitions on lifetime limits; requirements for guaranteed renewability of health insurance plans; health insurance premium setting guidelines; limitations on deductibles and cost-sharing; medical loss ratio requirements that require each health insurance carrier to spend a certain percentage of their premium revenue on reimbursement for clinical services and activities that improve health care quality; minimum benefit levels for health insurance plans; establishment of state and/or federal health insurance exchanges to facilitate access to, and the purchase of, health insurance; optional open enrollment periods for individual health insurance; assistance for member run health insurance issuers; creation of multi-state health insurance plans to be offered on the exchanges and with oversight from the Office of Personnel Management; requirements for uniform disclosure relating to the costs and benefits of health insurance; government subsidized high risk pools; and subsidies and cost sharing credits to make health insurance more affordable for those below certain income levels. Many aspects of health care reform require various departments of the executive branch to adopt regulations implementing its provisions. In addition, state governments will be required to adopt changes to their existing laws and regulations to conform them to federal health care reform legislation and regulations. Several aspects of the legislation, such as the implementation of state exchanges for the purchase of health insurance, do not go into effect until 2014. However, other aspects are to be implemented sooner. For instance, the requirement that health insurance carriers maintain specified medical loss ratios in the individual, small group and large group health insurance markets will become effective in 2011, a high risk pool is supposed to be established within 90 days, and the requirement that children cannot be denied health insurance for preexisting conditions becomes effective six months after the legislation was signed into law.

While the manner in which health care reform will be implemented is unclear, aspects of it could increase competition, reduce or eliminate the need for health insurance agents or demand for private health insurance for individuals, families or small businesses, decrease the number of health insurance carriers offering the health insurance products we sell, cause health insurance carriers to apply more rigorous underwriting standards (until provisions in health care reform legislation limiting underwriting go into effect in 2014) or change the benefits and/or premiums for the products they sell and result in a reduction in the amount health insurance carriers pay for our services, any of which could materially harm our business, operating results and financial condition. For instance, the manner in which the federal government and the states implement health insurance exchanges and the process for receiving subsidies and cost sharing credits could substantially increase our competition and substantially reduce the number of individuals, families and small businesses that purchase insurance through us, which would materially harm our business, operating results and financial condition. In addition, the implementation of the medical loss ratio requirements may result in health insurance carriers reducing the commissions paid to us for the health insurance products we sell and could result in health insurance carriers determining to distribute their products in a manner different than they do today with less reliance upon health insurance agents, which would materially harm our business, operating results and financial condition. We believe that consumer anticipation of health care reform and confusion regarding its impact has already impacted demand for the health insurance products we sell and that consumers have deferred applying for health insurance until the substance of health care reform becomes more clear to

them. Should consumers continue to do so, our business, operating results and financial condition would be harmed. Speculation regarding the impact of health care reform or changes in the regulatory environment in which we operate also creates uncertainty that could lead to increased volatility and a reduction in our stock price.

Various provisions in health care reform legislation will require health insurance carriers to create new health insurance products to replace existing health insurance products that are not compatible with the law. For instance, in September 2010, health insurance carriers are prohibited from imposing lifetime limits and must comply with new restrictions relating to annual limits on coverage. Health insurance carriers offering nonconforming health insurance plans will need to cease offering those plans and replace them with new health insurance plans that conform to the new requirements. This transition will cause us to have to remove outdated health insurance plans from our ecommerce platform and will cause a decrease in our inventory of health insurance products if health insurance carriers are not ready to market the new health insurance plans or we are not able to implement them on our ecommerce platform as the old health insurance plans are required to be removed. Under these circumstances, the number of health insurance applications submitted on our ecommerce platform that are approved by health insurance carriers could decline, perhaps substantially, which would harm our business, operating results and financial condition. In addition, the revenue we recognize from our sponsorship and eCommerce-on-Demand businesses would be adversely impacted due to a potential decline in the number of submitted health insurance applications or potential reduced fees we receive from health insurance carriers.

The medical loss ratio requirements that are a part of health care reform could harm our business.

The recently enacted federal Patient Protection and Affordable Care Act and related amendments in the Health Care and Education Reconciliation Act contain provisions requiring health insurance carriers to maintain specified medical loss ratios. The medical loss ratio requirements are effective for calendar year 2011 and later years and require health insurance companies to spend 80% of their premium revenue in each of their individual and small group businesses on reimbursement for clinical services and activities that improve health care quality. The Department of Health and Human Services with assistance from the National Association of Insurance Commissioners has been tasked pursuant to the legislation to promulgate regulations relating to the medical loss ratio requirements. These regulations are expected to be adopted prior to 2011 and to clarify the manner in which medical loss ratios will be implemented and calculated. It is not possible for us to determine the impact of the medical loss ratio requirements on our business prior to the promulgation of the regulations and our health insurance carrier partners' reaction to them. While many health insurance carriers in the individual and small group health insurance markets have historically operated with medical loss ratios below 80%, and agent commissions have traditionally not been counted as clinical reimbursement costs, medical loss ratio calculations made prior to the enactment of health care reform were not uniform and did not generally allow for amounts spent on the improvement of health care quality to be included with reimbursement of clinical costs. The implementation of the medical loss ratio requirements as a part of health care reform could cause health insurance carriers to reduce the commissions they are willing to pay us as broker of record on the health insurance policies that we sell, which would reduce our revenue and harm our business, operating results and financial condition, perhaps materially. In addition, certain health insurance carriers may determine to exit the individual or small business health insurance markets, place less reliance on agents to distribute their products in these markets, apply stricter underwriting standards (until provisions in health care reform registration limiting underwriting go into effect in 2014) or may limit their individual and small business health insurance offerings in any number of other ways, each of which would harm our business, operating results and financial condition. The implementation of medical loss ratio requirements also could cause health insurance carriers to reduce the amount they are willing to spend in connection with our sponsorship and technology licensing businesses, which also could harm our business, operating results and financial condition.

Our rate of growth may decline.

We have in the past and may in the future continue to make significant expenditures related to the development of our business, including expenditures relating to marketing and website technology development. In addition, we will continue to incur significant legal, accounting and other expenses as a public company. Although we have experienced revenue growth in prior periods, our approved member growth has recently declined, and we had fewer members approved in the quarter ended June 30, 2010 than were approved in the quarter ended June 30, 2009. While the aggregate number of our members has continued to grow on a year-over-year basis, the number of our estimated members at the end of the quarter ended June 30, 2010 was slightly less than the number of members we estimated at the end of the quarter ended March 31, 2010. If our approved member growth does not improve, our historical revenue growth may not be sustainable, which would harm our business, operating results and financial condition. Our future revenue growth will depend in large part upon the success of our Medicare business and our ability to continue to attract new individuals, families and small businesses to purchase health insurance through our ecommerce platform. We also must maintain our relationship with existing members within historical levels. We will have significant difficulty in achieving revenue growth if our membership does not grow. The

commission rates that we receive for individuals and families are typically higher in the first twelve months of a policy. After the first twelve months, they generally decline significantly. Accordingly, to the extent that the rate of growth of our net new members slows, our revenue would be adversely impacted due to a decline in commissions we receive for members whose policies have been active for more than twelve months, in addition to the reduction in revenue growth that would occur solely as a result of a decline in our membership growth rate. In addition, a portion of our year-over-year growth has been attributable to revenue from our technology licensing and sponsorship advertising businesses. Because these sources of revenue are relatively new, we expect that it may be difficult to maintain their historical growth rates, which will impact our overall rate of growth. A continued decline in our growth rate would adversely impact investor perception of our business and our stock price.

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

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

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

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

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

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

- our ability to adapt our ecommerce platform to market Medicare products, including our development or acquisition of marketing tools and features important in the sale of Medicare products online and the modification of our existing user experience for new products targeted at a different demographic;
- our success in marketing our ecommerce platform to senior citizens and in entering into business development relationships to drive Medicare eligible individuals to our ecommerce platform;
- our ability to hire and retain additional employees with experience in Medicare, including our ability to timely implement Medicare sales expertise into our new customer care center currently planned for the state of Utah;
- our ability to comply with the numerous, complex and changing laws and regulations relating to the marketing and sale of Medicare products, including conforming our online and offline sales processes to those laws and regulations; and

- the effectiveness with which health insurance carriers and agents market the availability of Medicare products from sources other than our ecommerce platform.

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

On April 30, 2010, we acquired 100% of the outstanding common shares and voting interest of PlanPrescriber, Inc. (formerly Experion Systems, Inc.), a privately-held company. The purchase price totaled $28.0 million and was primarily paid in cash. PlanPrescriber is a leading provider of online and pharmacy-based tools to help seniors navigate Medicare health insurance options. We believe the transaction helps to accelerate our ability to effectively market and sell Medicare products using our ecommerce platform. We also hope to be able to accelerate PlanPrescriber's revenue growth, which it derives through the referral of Medicare product leads to third parties, and eventually to service the leads as a health insurance agent. While we do not believe integrating PlanPrescriber into our existing business will be difficult, it may disrupt our existing business, plans and operations. In addition, we may not be able to realize anticipated synergies and opportunities as a result of the transaction, and the business may not perform as planned as a result of many of the risks and uncertainties that apply to the rest of our business. In the event we encounter problems in integrating PlanPrescriber, or if anticipated synergies and opportunities are not realized, our business, operating results and financial condition could be harmed.

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

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

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

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

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

Our business model is characterized primarily by recurring revenue based on commissions we receive from insurance carriers whose policies are purchased by our members. Although our services are complete upon the approval of a member's application, we receive commissions and record related revenue, typically on a monthly basis, until the health insurance

policy is cancelled or we otherwise do not remain the agent on the policy. A significant component of our marketing and advertising expenses consists of payments owed to our marketing partners in connection with applications submitted on our ecommerce platform by potential members referred to us by our marketing partners. As a result of this timing difference between expense and associated revenue recognition, our operating results and cash flows may be adversely affected in periods where we experience a significant increase in new applicants. In addition, if we incur other unanticipated or one-time expenses in a particular quarter or if we lose a significant amount of our member base for any reason, we would likely be unable to offset these expenses by increasing sales within that quarter or to replace lost revenue in the quarter with revenue from new members. As a result, our quarterly results may suffer due to unanticipated expenses, one-time charges or significant member turnover.

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

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

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

Legislative reaction to economic conditions may also negatively impact our operating results and financial condition. For example, the American Recovery and Reinvestment Act of 2009 included a 65% federal subsidy for health benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, or COBRA. As originally enacted, the subsidy applied to COBRA premiums for up to nine months for workers whose employment was involuntarily terminated after September 1, 2008 and were otherwise eligible for extended COBRA health coverage under their group health insurance plan. While the COBRA subsidy program was scheduled to expire and become unavailable for those whose employment was involuntarily terminated after December 2009, the eligibility period was extended, most recently to May 31, 2010. In connection with an initial extension of the eligibility period, the duration of the period the government would provide the subsidy to those eligible was extended from nine months to fifteen months. Congress has not extended or amended the eligibility period for the COBRA subsidy. As a result, workers who were involuntarily terminated after May 31, 2010 are not currently eligible to receive the subsidy, although workers who were involuntarily terminated during the eligibility period and otherwise eligible for COBRA health benefits will continue to receive the subsidy until they have exhausted their fifteen months of assistance. While it is not possible to determine the actual impact of the subsidy on our business, it may have caused, and may in the future cause, a significant decline in our membership and revenue growth as a result of consumers who have elected COBRA coverage rather than purchasing health insurance through us.

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

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

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

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

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

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

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

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

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

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

We typically enter into contractual agency relationships with health insurance carriers that are non-exclusive and terminable on short notice by either party for any reason. Carriers may be unwilling to allow us to sell their existing or new health insurance products for a variety of reasons, including for competitive or regulatory reasons, as a result of a reluctance to distribute their products over the Internet or because they do not want to be associated with our brand. For example, one carrier terminated its relationship with us with respect to the policies it offers in a particular state because the carrier determined to sell those policies through agents that exclusively offered that particular carrier's products. In the future, and as a result of health care reform or for other reasons, an increasing number of carriers may decide to rely on their own internal distribution channels, including traditional in-house agents and carrier websites, to sell their own products and, in turn, could limit or prohibit us from selling their products on our ecommerce platform. For instance, carriers may choose to exclude us from their most profitable or popular products or may determine not to distribute insurance products in the individual, family and small business markets altogether. We also may decide to terminate our relationship with a carrier for a number of reasons, including as a result of a reduction in a carrier's financial ratings, a carrier determining to pay lower commissions or a carrier demanding a sales process that we believe compromises or impairs the value of our service. The termination of our relationship with a carrier could reduce the variety of health insurance products we offer, which could harm our business. We also would lose a source of commissions for future sales and, if our relationship with a carrier is terminated as a result of our material breach of our agreement with the carrier or in a limited number of other cases, future commissions for past sales. Our business could also be harmed if in the future we fail to develop new carrier relationships and are unable to offer consumers a wide variety of health insurance products.

The health insurance industry in the United States has experienced a substantial amount of consolidation over the past several years, resulting in a decrease in the number of health insurance carriers. In the future, we may be forced to offer insurance policies from a reduced number of insurance carriers or to derive a greater portion of our revenue from a more concentrated number of carriers as our business and the health insurance industry evolve. We derived 15% of our total revenue in the three and six months ended June 30, 2009 and 2010, from Aetna. We derived 14% and 15% of our total revenue in the three and six months ended June 30, 2009 and 2010, respectively, from carriers owned by UnitedHealthcare. We derived 14% of our total revenue in the three and six months ended June 30, 2009 and 2010, from carriers owned by Wellpoint. Our agreements with these carriers, entered into in the ordinary course of business, are terminable on short notice by either party for any reason. Notwithstanding our separate agreements with various carriers directly or indirectly owned by the same entity, certain carriers have attempted and may continue to attempt to consolidate our relationship with them, which could increase the impact of carrier concentration on us, decrease the commission rates we receive and adversely affect our financial results. Should our dependence on fewer carrier relationships increase (whether as a result of the termination of carrier relationships, further carrier consolidation or otherwise), we may become more vulnerable to adverse changes in our relationships with carriers, particularly in states where we offer health insurance from a relatively smaller number of carriers or where a small number of carriers dominates the market, and our business, operating results and financial condition could be harmed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Algorithmic search result listings are determined and displayed in accordance with a set of formulas or algorithms developed by the particular Internet search engine. The algorithms determine the order of the listing of results in response to the consumer's Internet search. From time to time, search engines revise these algorithms. In some instances, these

modifications have caused our website to be listed less prominently in algorithmic search results, which has resulted in decreased traffic to our website. We may also be listed less prominently as a result of new websites or changes to existing websites that result in these websites receiving higher algorithmic rankings with the search engine. Our website may become listed less prominently in algorithmic search results for other reasons, such as search engine technical difficulties, search engine technical changes and changes we make to our website. In addition, search engines have deemed the practices of some companies to be inconsistent with search engine guidelines and decided not to list their website in search result listings at all. If we are listed less prominently in, or removed altogether from, search result listings for any reason, the traffic to our website likely would decline and we may not be able to replace this traffic, which in turn would harm our operating results. If we decide to attempt to replace this traffic, we may be required to increase our marketing expenditures, which would also increase our cost of member acquisition and harm our operating results.

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

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

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

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

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

- the ability of a marketing partner to maintain efficient and uninterrupted operation of its website; and
- our ability to work with the marketing partner to implement website changes, launch marketing campaigns and pursue other initiatives necessary to maintain positive consumer experiences and acceptable traffic volumes.

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

We recently have experienced a decline in growth with respect to the number of submitted applications in our marketing partner customer acquisition channel. For example, we had fewer applications submitted in the quarter ended June 30, 2010 than in the quarter ended June 30, 2009 in this channel. We believe the number of applications submitted in this channel may have been impacted by several factors, including consumer confusion regarding the timing and impact of proposed health care reform legislation, the challenging economic environment and the COBRA subsidy. We also have encountered increased competition for health insurance Internet traffic from pay-per-click listing. To the extent our submitted application growth rate from the marketing partner customer acquisition channel does not improve, our overall membership growth would be adversely impacted, which would harm our operating results and financial condition. The impact that health care reform will have on our relationships with marketing partners is unclear. To the extent that health care reform makes it less profitable or desirable for marketing partners to promote us to their customers, we may lose relationships with existing marketing partners and may have difficulty entering into relationships with new marketing partners. We may also need to reduce the compensation that we pay to marketing partners to the extent that health care reform has the effect of reducing commissions for individual and family health insurance. There is no guarantee that we will be able to amend our agreements to reduce the compensation that we pay to coincide with any reduction in commission rates that we receive. If we are not able to do so, our business, operating results and financial condition could be harmed.

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

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

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

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

estimates, perhaps materially. Total revenue per estimated member for the period would also change if our estimated membership changed. Our estimate regarding the average amount of time our members maintain their health insurance products also could be inaccurate as it is dependent upon the accuracy of our membership estimates.

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

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

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

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

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

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

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

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

There are many risks associated with our operations in China.

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

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

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

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

We sell advertising space to health insurance carriers on our website through our sponsorship advertising program. Our sponsorship advertising program allows carriers to purchase advertising space in specific markets in a sponsorship area on our website. If we do not continue to grow our revenue from the sale of sponsorship advertising, or if our rate of such growth declines, our business, operating results and financial condition may be harmed. Current economic conditions have adversely impacted the advertising industry in general. In addition, health insurance carriers may determine to eliminate or reduce spending on our sponsorship advertising program as a result of various aspects of health care reform, including the medical loss ratio requirements that become effective in 2011. To the extent that economic conditions, health care reform or other factors impact the amount health insurance carriers are willing to pay for advertising on our ecommerce platform, our sponsorship advertising program will be adversely impacted. The success of our sponsorship advertising program is dependent upon a number of other factors, including the effectiveness of the sponsorship advertising program as a cost-effective

method for carriers to obtain additional members, consumer and health insurance carrier adoption of the Internet and our ecommerce platform as a medium for the purchase and sale of health insurance, our ability to attract consumers visiting our ecommerce platform and convert those consumers into members, the existence of a relationship between us and a diverse group of carriers that offer a number of health insurance plans in the markets in which we attempt to sell sponsorship advertising, the cost and other features of the health insurance product that is the subject of the sponsorship advertising, the impact the sponsorship advertising has on the sale of the health insurance product that is the subject of the advertising and the effectiveness of the carrier's other means of advertising. In addition, while our practice of selling sponsorship advertising is described on our ecommerce platform, it could cause consumers to perceive us as not objective, which could harm our brand and result in a decline in our health insurance sales. It also could adversely impact our relationship with health insurance carriers that do not purchase our sponsorship advertising. As a result, our business, operating results and financial condition could be harmed.

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

We license the use of our ecommerce technology to health insurance carriers and agents. Carriers use our platform to offer their own health insurance policies on their websites, and agents use it to power their quoting and online content. If we do not continue to grow our revenue from the license of our technology, or if the rate of growth declines, our business, operating results and financial condition may be harmed. The impact that health care reform may have on our technology licensing business is unclear. Health care reform could reduce health insurance carrier and agent demand for our technology licensing platform as a result of the medical loss ratio requirements that become effective in 2011 or for other reasons, and health insurance carriers who currently use the platform could determine to cease using it, reduce the number and type of products offered on the platform or renegotiate the fees that they pay, any of which would reduce the revenue we receive from our technology licensing business.

The business of licensing the use of our technology to others could facilitate carrier, health insurance agent and other third party competition with us in the sale of health insurance over the Internet and is subject to a number of additional risks and uncertainties, including consumer and health insurance carrier adoption of our ecommerce platform as a medium for the purchase and sale of health insurance, our ability to establish relationships with new health insurance carriers, the reliability and performance of our ecommerce platform and the relative cost of developing competing technology. If we are not able to offer health insurance carriers and other third parties a reliable platform to cost-efficiently offer their products over the Internet, our technology licensing business will be unsuccessful.

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

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

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

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

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

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

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

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

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

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

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

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

Seasonality may cause fluctuations in our financial results.

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

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

We may decide to acquire businesses, products and technologies. We acquired PlanPrescriber, Inc. (formerly Experion Systems, Inc.) on April 30, 2010. Our ability as an organization to successfully make and integrate acquisitions is unproven. Acquisitions could require significant capital infusions and could involve many risks, including the following:

- an acquisition may negatively impact our results of operations because it may require us to incur charges and substantial debt or liabilities, may require the amortization, write down or impairment of amounts related to deferred compensation, goodwill and other intangible assets, or may cause adverse tax consequences, substantial depreciation or deferred compensation charges;
- an acquisition undertaken for strategic business purposes may negatively impact our results of operations;
- we may encounter difficulties in assimilating and integrating the business, technologies, products, personnel or operations of companies that we acquire, particularly if key personnel of the acquired company decide not to work for us;
- an acquisition may disrupt our ongoing business, divert resources, increase our expenses and distract our management;
- we may be required to implement or improve internal controls, procedures and policies appropriate for a public company at a business that prior to the acquisition lacked these controls, procedures and policies;
- the acquired businesses, products or technologies may not generate sufficient revenue to offset acquisition costs or to maintain our financial results;

- we may have to issue equity securities to complete an acquisition, which would dilute our stockholders' ownership and could adversely affect the market price of our common stock; and
- acquisitions may involve the entry into geographic or business markets in which we have little or no prior experience.

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

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

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

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

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

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

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

Our provision for income taxes is subject to volatility and could be adversely affected by earnings differing materially from our projections; by changes in the valuation of our deferred tax assets and liabilities; by expiration of or lapses in the research and development tax credit laws; by tax effects of share-based compensation; or by changes in tax laws, regulations, accounting principles, including accounting for uncertain tax positions, or interpretations thereof. For instance, on September 23, 2008, the state of California approved budget legislation which substantially limits the utilization of net operating losses and tax credits. The new law did not affect the amount of net operating losses and tax credits that we expect

to ultimately use to offset future California taxes, but limited the amount we could utilize in 2008 and 2009, resulting in an increase in cash taxes in those years. Since the majority of our state taxes are in California, where our headquarters are located, our cash outlay for federal and state taxes increased for the years ended December 31, 2008 and 2009.

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

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

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

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

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

Risks Related to Insurance Regulation

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

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

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

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

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

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

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

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

Due to the complexity, periodic modification and differing interpretations of insurance laws and regulations, we may not have always been, and we may not always be, in compliance with them. New insurance laws and regulations also may not be compatible with the sale of health insurance over the Internet or with various aspects of our platform, including electronic signature or our EPI or eApproval technology as a whole. We would face increased legal and regulatory risks in this regard if we were to pursue opportunities to sell products in segments of the health insurance market in which we do not currently operate, such as Medicare or limited benefit products. Failure to comply with insurance laws and regulations or other laws and regulations applicable to or business could result in significant liability, additional department of insurance licensing requirements or the revocation of licenses in a particular jurisdiction, which could significantly increase our operating expenses, prevent us from transacting health insurance business in a particular jurisdiction and otherwise harm our business, operating results and financial condition. Moreover, an adverse regulatory action in one jurisdiction could result in penalties and adversely affect our license status or reputation in other jurisdictions due to the requirement that adverse

regulatory actions in one jurisdiction be reported to other jurisdictions. Even if the allegations in any regulatory or other action against us are proven false, any surrounding negative publicity could harm consumer, marketing partner or health insurance carrier confidence in us, which could significantly damage our brand. Because some consumers, marketing partners and health insurance carriers may not be comfortable with the concept of purchasing health insurance using the Internet, any negative publicity may affect us more than it would others in the health insurance industry and would harm our business, operating results and financial condition. Changes in insurance laws and regulations may also require that we make significant modifications to our existing technology or practices, which may be costly and time-consuming to implement and could also harm our business, operating results and financial condition.

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

Risks Related to the Internet and Electronic Commerce

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

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

Government regulation of the Internet could adversely affect our business.

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

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

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

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

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

Risks Related to the Ownership of Our Common Stock

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

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

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

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

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

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

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

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

ITEM 6. EXHIBITS

(a) Exhibits

Except as so indicated in Exhibits 32.1 and 32.2, the following exhibits are filed as part of, or incorporated by reference into, this quarterly report.

Exhibit Number		Description of Exhibit
31.1	†	Certification of Gary L. Lauer, Chief Executive Officer of eHealth, Inc., pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	†	Certification of Stuart M. Huizinga, Chief Financial Officer of eHealth, Inc., pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	‡	Certification of Gary L. Lauer, Chief Executive Officer of eHealth, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	‡	Certification of Stuart M. Huizinga, Chief Financial Officer of eHealth, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

† Filed herewith.
‡ Furnished herewith.

SIGNATURES

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 thereunto duly authorized on the 9th day of August 2010.

/S/ GARY L. LAUER

Gary L. Lauer
Chief Executive Officer
(Duly Authorized Officer on Behalf of the Registrant)

/S/ STUART M. HUIZINGA

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

EXHIBIT INDEX

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32.2	‡	Certification of Stuart M. Huizinga, Chief Financial Officer of eHealth, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

† Filed herewith.
‡ Furnished herewith.

Exhibit 31.1

CERTIFICATION

I, Gary L. Lauer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of eHealth, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2010

/s/ GARY L. LAUER

Gary L. Lauer
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Stuart M. Huizinga, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of eHealth, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2010

/s/ STUART M. HUIZINGA

Stuart M. Huizinga
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of eHealth, Inc. on Form 10-Q (the "Form 10-Q") for the quarterly period ended June 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary L. Lauer, Chief Executive Officer of eHealth, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

/s/ GARY L. LAUER

Gary L. Lauer
Chief Executive Officer
August 9, 2010

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

Exhibit 32.2

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

In connection with the Quarterly Report of eHealth, Inc. on Form 10-Q (the "Form 10-Q") for the quarterly period ended June 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stuart M. Huizinga, Chief Financial Officer of eHealth, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

/s/ STUART M. HUIZINGA

Stuart M. Huizinga
Chief Financial Officer
August 9, 2010

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