

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

FORM 8-K
CURRENT REPORT

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

Date of Report (date of earliest event reported): July 23, 2020

EHEALTH, INC.

(Exact Name of Registrant as Specified in its Charter)

001-33071

(Commission File Number)

56-2357876

(I.R.S. Employer Identification No.)

Delaware

(State or other jurisdiction of incorporation)

2625 AUGUSTINE DRIVE, SECOND FLOOR
SANTA CLARA, CA 95054

(Address of principal executive offices) (Zip Code)

(650) 584-2700

(Registrant's telephone number, including area code)

Not applicable

(Former name or former address, if changed since last report.)

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

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

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

Emerging growth company ☐

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

Item 2.02 Results of Operations and Financial Condition.

On July 23, 2020, eHealth, Inc. (the “Company”) issued a press release announcing its financial results for the second quarter ended June 30, 2020. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

On July 23, 2020, the Company posted supplemental investor material on its investor relations webpage at <http://ir.ehealthinsurance.com>. The Company intends to use its investor relations webpage as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD. A copy of the supplemental investor materials is also furnished as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated herein by reference.

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

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release of eHealth, Inc. dated July 23, 2020 (eHealth, Inc. Announces Second Quarter 2020 Results)
99.2	Financial Results Conference Call Slides of eHealth, Inc. dated July 23, 2020

SIGNATURE

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

Date: July 23, 2020

eHealth, Inc.

/s/ Derek N. Yung

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



eHealth, Inc. Announces Second Quarter 2020 Results

Second Quarter 2020 Overview

- Revenue for the second quarter of 2020 was \$88.8 million, a 35% increase compared to \$65.8 million for the second quarter of 2019.
- GAAP net loss for the second quarter of 2020 was \$3.4 million compared to net loss of \$5.8 million for the second quarter of 2019.
- Adjusted EBITDA was \$1.7 million for the second quarter of 2020 compared to \$0.8 million for the second quarter of 2019.
- Net cash used in operating activities for the second quarter of 2020 was \$21.3 million compared to \$11.5 million for the second quarter of 2019.

SANTA CLARA, California — July 23, 2020 — eHealth, Inc. (NASDAQ: EHTH), a leading private online health insurance marketplace, announces today its financial results for the second quarter ended June 30, 2020.

Scott Flanders, chief executive officer of eHealth stated, “eHealth delivered another quarter of strong revenue and Medicare enrollment growth. The number of second quarter Medicare approved members grew ahead of our expectations driven by favorable market dynamics, growth in online enrollments and an increase in agent productivity compared to a year ago. Importantly, this enrollment growth was achieved while also reducing our total acquisition costs per approved Medicare member allowing us to once again exceed our internal forecast for revenue and earnings. Based on the strength of our business and reflecting the capital raise we completed in March, we are increasing our financial guidance for the full year ending 2020.”

GAAP — Second Quarter of 2020 Results

Revenue — Revenue for the second quarter of 2020 totaled \$88.8 million, a 35% increase compared to \$65.8 million for the second quarter of 2019. Commission revenue for the second quarter of 2020 totaled \$80.8 million, a 33% increase compared to \$60.6 million for the second quarter of 2019. Other revenue for the second quarter of 2020 was \$8.0 million, a 55% increase compared to \$5.2 million for the second quarter of 2019.

Revenue from our Medicare segment was \$80.4 million for the second quarter of 2020, a 54% increase compared to \$52.3 million for the second quarter of 2019. Revenue from our Individual, Family and Small Business segment was \$8.4 million for the second quarter of 2020, a 38% decrease compared to \$13.5 million for the second quarter of 2019.

Loss from Operations — Loss from operations for the second quarter of 2020 was \$6.3 million compared to loss from operations of \$12.3 million for the second quarter of 2019.

Pre-Tax Loss — Pre-tax loss for the second quarter of 2020 was \$5.8 million compared to pre-tax loss of \$11.6 million for the second quarter of 2019.

Benefit from Income Taxes — Benefit from income taxes for the second quarter of 2020 was \$2.4 million compared to \$5.9 million for the second quarter of 2019.

Net Loss — Net loss for the second quarter of 2020 was \$3.4 million, or \$0.13 net loss per diluted share, compared to net loss of \$5.8 million, or \$0.25 net loss per diluted share, for the second quarter of 2019.

Segment Profit — Medicare segment profit was \$13.4 million for the second quarter of 2020, a 120% increase compared to \$6.1 million for the second quarter of 2019. Profit from our Individual, Family and Small Business segment was \$2.6 million for the second quarter of 2020, a 51% decrease compared to \$5.3 million for the second quarter of 2019.

Non-GAAP — Second Quarter of 2020 Results

Non-GAAP Net Income — Non-GAAP net income for the second quarter of 2020 was \$1.7 million, or \$0.07 non-GAAP net income per diluted share, compared to non-GAAP net income of \$2.3 million, or \$0.10 non-GAAP net income per diluted share, for the second quarter of 2019.

Non-GAAP net income and non-GAAP net income per diluted share for the second quarter of 2020 are calculated by excluding \$6.7 million of stock-based compensation expense, \$0.4 million of amortization of intangible assets and \$1.9 million of the income tax effect of these non-GAAP adjustments from GAAP net loss and GAAP net loss per diluted share.

Non-GAAP net income and non-GAAP net income per diluted share for the second quarter of 2019 are calculated by excluding \$4.7 million of stock-based compensation expense, \$7.2 million of expense for the change in fair value of earnout liability related to our acquisition of GoMedigap, \$0.5 million of amortization of intangible assets, and \$4.4 million of the income tax effect of these non-GAAP adjustments from GAAP net loss and GAAP net loss per diluted share.

Adjusted EBITDA — Adjusted EBITDA was \$1.7 million for the second quarter of 2020 compared to \$0.8 million for the second quarter of 2019. Adjusted EBITDA is calculated by adding stock-based compensation expense, change in fair value of earnout liability related to our acquisition of GoMedigap, depreciation and amortization, amortization of intangible assets, other income, net, and benefit from income taxes to GAAP net loss.

Approved Members, New Paying Members and Estimated Membership

Approved Members — The number of approved members for all Medicare products, which includes Medicare Advantage, Medicare Supplement and Medicare Part D Prescription Drug Plans, was 76,874 in the second quarter of 2020, a 46% increase compared to 52,569 in the second quarter of 2019. The number of approved members for major medical individual and family plan products was 5,310 in the second quarter of 2020, an 86% increase compared to 2,854 in the second quarter of 2019.

New Paying Members — The number of new paying members for all Medicare products was 72,651 in the second quarter of 2020, a 40% increase compared to 51,730 in the second quarter of 2019. The number of new paying members for major medical individual and family plan products was 6,912, a 116% increase compared to 3,196 in the second quarter of 2019. New paying members consist of approved members from the period presented and any periods prior to the period presented from whom we have received an initial commission payment during the period presented.

Estimated Membership — Total estimated membership as of June 30, 2020 was 1,117,423, a 15% increase compared to 967,697 estimated members we reported as of June 30, 2019. Estimated Medicare membership as of June 30, 2020 was 716,030, a 37% increase compared to 521,262 estimated members reported as of June 30, 2019. Estimated major medical individual and family plan membership as of June 30, 2020 was 115,832, a 13% decrease compared to 133,543 estimated members reported as of June 30, 2019.

Cash — Second Quarter of 2020

Cash Flows — Net cash used in operating activities was \$21.3 million for the second quarter of 2020, compared to net cash used in operating activities of \$11.5 million for the second quarter of 2019.

GAAP — Year-to-Date Results

Revenue — Revenue for the six months ended June 30, 2020 totaled \$195.2 million, a 45% increase compared to \$134.5 million for the six months ended June 30, 2019. Commission revenue for the six months ended June 30, 2020 totaled \$180.4 million, a 45% increase compared to \$124.8 million for the six months ended June 30, 2019. Other revenue for the six months ended June 30, 2020 was \$14.7 million, a 52% increase compared to \$9.7 million for the six months ended June 30, 2019.

Revenue from our Medicare segment was \$176.5 million for the six months ended June 30, 2020, a 65% increase compared to \$107.2 million for the six months ended June 30, 2019. Revenue from our Individual, Family and Small Business segment was \$18.6 million for the six months ended June 30, 2020, a 32% decrease compared to \$27.4 million for the six months ended June 30, 2019.

Loss from Operations — Loss from operations for the six months ended June 30, 2020 was \$5.2 million compared to loss from operations of \$21.5 million for the six months ended June 30, 2019.

Pre-Tax Loss — Pre-tax loss for the six months ended June 30, 2020 was \$4.4 million compared to pre-tax loss of \$20.2 million for the six months ended June 30, 2019.

Benefit from Income Taxes — Benefit from income taxes for the six months ended June 30, 2020 was \$4.5 million compared to \$9.3 million for the six months ended June 30, 2019.

Net Income (Loss) — Net income for the six months ended June 30, 2020 was \$0.1 million, or \$0.00 net income per diluted share, compared to net loss of \$10.9 million, or \$0.48 net loss per diluted share, for the six months ended June 30, 2019.

Segment Profit — Medicare segment profit was \$35.4 million for the six months ended June 30, 2020, a 109% increase compared to \$16.9 million for the six months ended June 30, 2019. Profit from our Individual, Family and Small Business segment was \$5.2 million for the six months ended June 30, 2020, a 54% decrease, compared to \$11.3 million for the six months ended June 30, 2019.

Non-GAAP — Year-to-Date Results

Non-GAAP Net Income — Non-GAAP net income for the six months ended June 30, 2020 was \$12.1 million, or \$0.45 non-GAAP net income per diluted share, compared to non-GAAP net income of \$9.5 million, or \$0.42 non-GAAP net income per diluted share, for the six months ended June 30, 2019.

Non-GAAP net income and non-GAAP net income per diluted share for the six months ended June 30, 2020 are calculated by excluding \$15.4 million of stock-based compensation expense, \$0.9 million of amortization of intangible assets and \$4.3 million of the income tax effect of these non-GAAP adjustments from GAAP net income and GAAP net income per diluted share.

Non-GAAP net income and non-GAAP net income per diluted share for the six months ended June 30, 2019 are calculated by excluding \$7.9 million of stock-based compensation expense, \$20.5 million of expense for the change in fair value of earnout liability related to our acquisition of GoMedigap, \$1.1 million of amortization of intangible assets, and \$9.1 million of the income tax effect of these non-GAAP adjustments from GAAP net loss and GAAP net loss per diluted share.

Adjusted EBITDA — Adjusted EBITDA was \$12.8 million for the six months ended June 30, 2020 compared to \$9.4 million for the six months ended June 30, 2019. Adjusted EBITDA is calculated by adding stock-based compensation expense, change in fair value of earnout liability related to our acquisition of GoMedigap, depreciation and amortization, amortization of intangible assets, other income, net, and benefit from income taxes to GAAP net income (loss).

Approved Members and New Paying Members

Approved Members — The number of approved members for all Medicare products, which includes Medicare Advantage, Medicare Supplement and Medicare Part D Prescription Drug Plans, was 161,576 in the six months ended June 30, 2020, a 46% increase compared to 110,468 in the six months ended June 30, 2019. The number of approved members for major medical individual and family plan products was 14,675 in the six months ended June 30, 2020, a 2% increase compared to 14,452 in the six months ended June 30, 2019.

New Paying Members — The number of new paying members for all Medicare products was 234,215 in the six months ended June 30, 2020, a 54% increase compared to 151,843 in the six months ended June 30, 2019. The number of new paying members for major medical individual and family plan products was 22,422 in the six months ended June 30, 2020, a 9% decrease compared to 24,598 in the six months ended June 30, 2019. New paying members consist of approved members from the period presented and any periods prior to the period presented from whom we have received an initial commission payment during the period presented.

Cash — Year-to-Date Results

Cash Flows — Net cash used in operating activities was \$12.4 million for the six months ended June 30, 2020, compared to net cash provided by operating activities of \$1.2 million for the six months ended June 30, 2019.

2020 Guidance

Based on information available as of July 23, 2020, eHealth is updating its guidance for the full year ending December 31, 2020 previously provided on April 23, 2020. These expectations are forward-looking statements and eHealth assumes no obligation to update these statements. Actual results may be materially different and are affected by the risk factors and uncertainties identified in this press release and in eHealth's annual and quarterly filings with the Securities and Exchange Commission.

The following is the updated guidance for the full year ending December 31, 2020:

- Total revenue is expected to be in the range of \$630.0 million to \$670.0 million, compared to the previous guidance of \$600.0 million to \$640.0 million. Revenue from the Medicare segment is expected to be in the range of \$583.0 million to \$619.0 million, compared to the previous guidance of \$553.0 million to \$589.0 million. Revenue from the Individual, Family and Small Business segment is expected to be in the range of \$47.0 million to \$51.0 million, consistent with the previous guidance.
- GAAP net income is expected to be in the range of \$79.0 million to \$94.0 million, compared to the previous guidance of \$70.0 million to \$85.0 million.
- Adjusted EBITDA^(a) is expected to be in the range of \$140.0 million to \$155.0 million, compared to the previous guidance of \$125.0 million to \$140.0 million.
- Medicare segment profit^(b) is expected to be in the range of \$176.0 million to \$193.0 million, compared to the previous guidance of \$157.0 million to \$174.0 million. Individual, Family and Small Business segment profit is expected to be in the range of \$17.0 million to \$18.0 million, consistent with the previous guidance.
- Corporate^(c) shared service expenses, excluding stock-based compensation and depreciation and amortization, is expected to be in the range of \$53.0 million to \$56.0 million, compared to the previous guidance of \$49.0 million to \$52.0 million.
- Cash used in operations is expected to be in the range of \$85.0 million to \$95.0 million, compared to the previous guidance of \$61.0 million to \$64.0 million, and cash used for capital expenditures is expected to be in the range of \$23.0 million to \$25.0 million, compared to the previous guidance of \$18.0 million to \$20.0 million.
- GAAP net income per diluted share is expected to be in the range of \$2.91 to \$3.47, compared to the previous guidance of \$2.55 to \$3.10 per share.
- Non-GAAP net income per diluted share^(d) is expected to be in the range of \$3.83 to \$4.32, compared to the previous guidance of \$3.41 to \$3.90 per share.

^(a) Adjusted EBITDA is calculated by adding stock-based compensation expense, depreciation and amortization, amortization of intangible assets, other income, net, and provision (benefit) for income taxes to GAAP net income (loss).

^(b) Segment profit is calculated as revenue for the applicable segment less marketing and advertising, customer care and enrollment, technology and content and general and administrative operating expenses, excluding stock-based compensation expense, change in fair value of earnout liability, depreciation and amortization, and amortization of intangible assets, that are directly attributable to the applicable segment and other indirect marketing and advertising, customer care and enrollment and technology and content operating expenses, excluding stock-based compensation expense, depreciation and amortization, and amortization of intangible assets, allocated to the applicable segment based on usage.

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

^(d) Non-GAAP net income per diluted share is calculated by adding stock-based compensation expense per diluted share, amortization of intangible assets per diluted share and the income tax effect of non-GAAP adjustments to GAAP net income per diluted share.

Webcast and Conference Call Information

A Webcast and conference call will be held today, Thursday, July 23, 2020 at 5:00 p.m. Eastern / 2:00 p.m. Pacific Time. The live Webcast and supporting presentation slides will be available on the Investor Relations section of eHealth's website at <http://ir.ehealthinsurance.com>. Individuals interested in listening to the conference call may do so by dialing (877) 930-8066 for domestic callers and (253) 336-8042 for international callers. The participant passcode is 7129788. A telephone replay will be available two hours following the conclusion of the call for a period of seven days and can be accessed by dialing (855) 859-2056 for domestic callers and (404) 537-3406 for international callers. The call ID for the replay is 7129788. The live and archived webcast of the call will also be available on eHealth's website at <http://www.ehealthinsurance.com> under the Investor Relations section.

About eHealth, Inc.

eHealth, Inc. (NASDAQ: EHTH) operates a leading health insurance marketplace at eHealth.com and eHealthMedicare.com with a technology and service platform that provides consumer engagement, education and health insurance enrollment solutions. Our mission is to connect every person with the highest quality, most affordable health insurance and Medicare plans for their life circumstances. Our platform integrates proprietary and third-party developed educational content regarding health insurance plans with decision support tools to aid consumers in what has traditionally been a confusing and opaque health insurance purchasing process, and to help them obtain the health insurance products that meet their individual health and economic needs. Our omni-channel consumer engagement platform is designed to meet the consumer wherever they prefer to engage with us, and enables consumers to use our services online, through interactive chat, or by telephone with a licensed insurance agent. We have created a marketplace that offers consumers a broad choice of insurance products that include thousands of Medicare Advantage, Medicare Supplement, Medicare Part D prescription drug, individual and family, small business and other ancillary health insurance products from over 180 health insurance carriers across all fifty states and the District of Columbia.

Forward-Looking Statements

This press release contains statements that are forward-looking statements as defined within the Private Securities Litigation Reform Act of 1995. These include statements regarding our expected growth in 2020, our estimates regarding total membership, Medicare membership, Individual and Family plan membership and ancillary and small business membership, our estimates regarding constrained lifetime values of commissions per member and constraints on lifetime value by product category, our plans to invest in our Medicare business, and our guidance for the full year ending December 31, 2020, including our guidance for total revenue and revenue from our Medicare segment and our Individual, Family and Small Business segment, GAAP net income, Adjusted EBITDA, profit from our Medicare segment and our Individual, Family and Small Business segment, Corporate shared service expense, cash used in operations and cash used for capital expenditures, and GAAP net income per diluted share and non-GAAP net income per diluted share.

These forward-looking statements are inherently subject to various risks and uncertainties that could cause actual results to differ materially from the statements made. In particular, we are required by the Accounting Standards Codification 606 — *Revenue from Contracts with Customers* to make numerous assumptions that are based on historical trends and our management's judgment. These assumptions may change over time and have a material impact on our revenue recognition, guidance, and results of operations. Please review the assumptions stated in this press release carefully.

The risks and uncertainties that could cause our results to differ materially from those expressed or implied by such forward-looking statements include our ability to retain existing members and enroll new members; changes in laws and regulations, including in connection with healthcare reform or with respect to the marketing and sale of Medicare plans; competition, including competition from government-run health insurance exchanges; the seasonality of our business and the fluctuation of our operating results; our ability to accurately estimate membership and lifetime value of commissions; changes in product offerings among carriers on our ecommerce platform and the resulting impact on our commission revenue; our ability to execute on our growth strategy in the Medicare market; the continued impact of the COVID-19 pandemic on our operations, business, financial condition and growth prospects, as well as on the general economy; exposure to security risks and our ability to safeguard the security and privacy of confidential data; our relationships with health insurance carriers; customer concentration and consolidation of the health insurance industry; our success in marketing and selling health insurance plans and our unit cost of acquisition; our ability to hire, train and retain licensed health insurance agents and other employees; the need for health insurance carrier and regulatory approvals in connection with the marketing of Medicare-related insurance products; changes in the market for private health insurance; consumer satisfaction of our service; changes in member conversion rates; changes in commission rates; our ability to sell qualified health insurance plans to subsidy-eligible individuals and to enroll subsidy-eligible individuals through government-run health insurance exchanges; our ability to maintain and enhance our brand identity; our ability to derive desired benefits from investments in our business, including membership

growth initiatives; reliance on marketing partners; the impact of our direct-to-consumer email, telephone and television marketing efforts; timing of receipt and accuracy of commission reports; payment practices of health insurance carriers; our ability to successfully make and integrate acquisitions; dependence on our operations in China; the restrictions in our debt obligations; compliance with insurance and other laws and regulations; and the performance, reliability and availability of our ecommerce platform and underlying network infrastructure. Other factors that could cause operating, financial and other results to differ are described in eHealth's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K filed with the Securities and Exchange Commission and available on the investor relations page of eHealth's website at <http://www.ehealthinsurance.com> and on the Securities and Exchange Commission's website at www.sec.gov.

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

Non-GAAP Financial Information

This press release includes financial measures that are not calculated in accordance with U.S. generally accepted accounting principles (GAAP). To supplement eHealth's condensed consolidated financial statements presented in accordance with GAAP, eHealth presents investors with non-GAAP financial measures, including non-GAAP net income (loss); non-GAAP net income (loss) per diluted share; and adjusted EBITDA.

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

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

Non-GAAP net income (loss), non-GAAP net income (loss) per diluted share and Adjusted EBITDA are not calculated in accordance with GAAP, and should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures used in this press release have limitations in that they do not reflect all of the revenue and costs associated with the operations of eHealth's business and do not reflect income tax as determined in accordance with GAAP. As a result, you should not consider these measures in isolation or as a substitute for analysis of eHealth's results as reported under GAAP. eHealth expects to continue to incur the stock-based compensation costs and purchased intangible asset amortization costs described above, and exclusion of these costs, and their related income tax benefits, from non-GAAP financial measures should not be construed as an inference that these costs are unusual or infrequent. eHealth compensates for these limitations by prominently disclosing GAAP net income (loss) and GAAP net income (loss) per diluted share and providing investors with reconciliations from eHealth's GAAP operating results to the non-GAAP financial measures for the relevant periods.

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

Investor Relations Contact

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(Tables to Follow)

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 76,842	\$ 23,466
Short-term marketable securities	123,158	—
Accounts receivable	2,724	2,332
Contract assets – commissions receivable – current	141,774	174,526
Prepaid expenses and other current assets	10,635	7,822
Total current assets	355,133	208,146
Contract assets – commissions receivable – non-current	441,012	414,696
Property and equipment, net	13,751	10,518
Long-term marketable securities	11,361	—
Operating lease right-of-use assets	47,497	36,621
Restricted cash	3,354	3,354
Other assets	21,865	18,004
Intangible assets, net	9,142	10,062
Goodwill	40,233	40,233
Total assets	\$ 943,348	\$ 741,634
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 7,285	\$ 24,554
Accrued compensation and benefits	21,795	29,578
Accrued marketing expenses	4,712	12,041
Earnout liability — current	—	37,273
Lease liabilities — current	4,922	4,759
Deferred revenue	97	2,570
Other current liabilities	3,909	2,210
Total current liabilities	42,720	112,985
Deferred income taxes — non-current	59,244	64,130
Lease liabilities — non-current	45,784	34,305
Other non-current liabilities	3,545	3,050
Stockholders' equity:		
Common stock	37	35
Additional paid-in capital	720,976	455,159
Treasury stock, at cost	(199,998)	(199,998)
Retained earnings	270,787	271,852
Accumulated other comprehensive income	253	116
Total stockholders' equity	792,055	527,164
Total liabilities and stockholders' equity	\$ 943,348	\$ 741,634

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue:				
Commission	\$ 80,773	\$ 60,606	\$ 180,442	\$ 124,833
Other	7,993	5,161	14,732	9,707
Total revenue	88,766	65,767	195,174	134,540
Operating costs and expenses:				
Cost of revenue	540	449	1,678	372
Marketing and advertising	32,873	23,104	70,637	47,045
Customer care and enrollment	27,148	21,479	57,683	41,423
Technology and content	13,373	10,437	29,113	19,454
General and administrative	20,713	14,862	40,366	26,140
Amortization of intangible assets	373	547	920	1,094
Change in fair value of earnout liability	—	7,200	—	20,506
Total operating costs and expenses	95,020	78,078	200,397	156,034
Loss from operations	(6,254)	(12,311)	(5,223)	(21,494)
Other income, net	452	699	825	1,256
Loss before benefit from income taxes	(5,802)	(11,612)	(4,398)	(20,238)
Benefit from income taxes	(2,432)	(5,858)	(4,480)	(9,325)
Net income (loss)	\$ (3,370)	\$ (5,754)	\$ 82	\$ (10,913)
Net income (loss) per share:				
Basic and diluted	\$ (0.13)	\$ (0.25)	\$ 0.00	\$ (0.48)
Weighted-average number of shares used in per share amounts:				
Basic	26,358	23,091	25,539	22,508
Diluted	26,358	23,091	26,758	22,508
⁽¹⁾ Includes stock-based compensation as follows:				
Marketing and advertising	\$ 1,539	\$ 711	\$ 3,269	\$ 1,340
Customer care and enrollment	573	285	1,235	558
Technology and content	(82)	668	1,535	1,217
General and administrative	4,646	3,014	9,351	4,792
Total stock-based compensation expense	\$ 6,676	\$ 4,678	\$ 15,390	\$ 7,907

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating activities:				
Net income (loss)	\$ (3,370)	\$ (5,754)	\$ 82	\$ (10,913)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	858	733	1,681	1,388
Amortization of internally developed software	1,734	794	3,235	1,513
Amortization of intangible assets	374	547	921	1,094
Stock-based compensation expense	6,676	4,678	15,390	7,907
Deferred income taxes	(2,379)	(5,992)	(4,520)	(9,535)
Change in fair value of earnout liability	—	7,200	—	20,506
Other non-cash items	22	146	245	(1,048)
Changes in operating assets and liabilities:				
Accounts receivable	(2,056)	2,322	(392)	2,543
Contract assets – commissions receivable	(22,031)	(13,205)	4,842	4,443
Prepaid expenses and other assets	(872)	(3,807)	(1,031)	(2,696)
Accounts payable	(1,203)	915	(17,482)	147
Accrued compensation and benefits	3,322	3,892	(7,782)	(5,498)
Accrued marketing expenses	1	(195)	(7,328)	(7,342)
Deferred revenue	(2,586)	(3,015)	(2,473)	(118)
Accrued expenses and other liabilities	205	(783)	2,214	(1,166)
Net cash provided by (used in) operating activities	(21,305)	(11,524)	(12,398)	1,225
Investing activities:				
Capitalized internal-use software and website development costs	(4,045)	(1,946)	(7,609)	(3,433)
Purchases of property and equipment and other assets	(2,156)	(2,277)	(4,664)	(3,786)
Purchases of marketable securities	(89,482)	—	(147,546)	—
Proceeds from maturities of marketable securities	13,250	—	13,250	—
Payments for security deposits	—	(896)	—	(896)
Cash used in investing activities	(82,433)	(5,119)	(146,569)	(8,115)
Financing activities:				
Proceeds from issuance of common stock, net of issuance costs	—	—	228,024	126,051
Net proceeds from exercise of common stock options	223	888	1,314	3,255
Repurchase of shares to satisfy employee tax withholding obligations	(3,785)	(2,172)	(8,160)	(3,452)
Repayment of debt	—	—	—	(5,000)
Acquisition-related contingent payments	—	—	(8,751)	(9,542)
Principal payments in connection with leases	(25)	(25)	(83)	(50)
Net cash provided by (used in) financing activities	(3,587)	(1,309)	212,344	111,262
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1	(33)	(1)	29
Net increase (decrease) in cash, cash equivalents and restricted cash	(107,324)	(17,985)	53,376	104,401
Cash, cash equivalents and restricted cash at beginning of period	187,520	135,475	26,820	13,089
Cash, cash equivalents and restricted cash at end of period	\$ 80,196	\$ 117,490	\$ 80,196	\$ 117,490

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Revenue:						
Medicare ⁽¹⁾	\$ 80,379	\$ 52,267	54 %	\$ 176,530	\$ 107,168	65 %
Individual, Family and Small Business ⁽²⁾	8,387	13,500	(38) %	18,644	27,372	(32) %
Total revenue	\$ 88,766	\$ 65,767	35 %	\$ 195,174	\$ 134,540	45 %
Segment profit:						
Medicare segment profit ⁽³⁾	\$ 13,430	\$ 6,095	120 %	\$ 35,390	\$ 16,921	109 %
Individual, Family and Small Business segment profit ⁽³⁾	2,570	5,268	(51) %	5,173	11,292	(54) %
Total segment profit	16,000	11,363	41 %	40,563	28,213	44 %
Corporate ⁽⁴⁾	(14,347)	(10,516)	36 %	(27,795)	(18,812)	48 %
Stock-based compensation expense	(6,676)	(4,678)	43 %	(15,390)	(7,907)	95 %
Change in fair value of earnout liability	—	(7,200)	(100) %	—	(20,506)	(100) %
Depreciation and amortization	(858)	(733)	17 %	(1,681)	(1,388)	21 %
Amortization of intangible assets	(373)	(547)	(32) %	(920)	(1,094)	(16) %
Other income, net	452	699	(35) %	825	1,256	(34) %
Loss before benefit from income taxes	\$ (5,802)	\$ (11,612)	(50) %	\$ (4,398)	\$ (20,238)	(78) %

Segment Information

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

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

⁽¹⁾ The Medicare segment consists primarily of amounts earned from our sale of Medicare-related health insurance plans, including Medicare Advantage, Medicare Supplement and Medicare Part D prescription drug plans, and to a lesser extent, ancillary products sold to our Medicare-eligible customers, including but not limited to, dental and vision plans, as well as our advertising program that allows Medicare-related carriers to purchase advertising on a separate website developed, hosted and maintained by us and our delivery and sale to third parties of Medicare-related health insurance leads generated by our ecommerce platforms and our marketing activities.

⁽²⁾ The Individual, Family and Small Business segment consists primarily of amounts earned from our sale of individual, family and small business health insurance plans and ancillary products sold to our non-Medicare-eligible customers, including but not limited to, dental, vision, and short-term insurance. To a lesser extent, the Individual, Family and Small Business segment consists of amounts earned from our online sponsorship program that allows carriers to purchase advertising space in specific markets in a sponsorship area on our website, our licensing to third parties the use of our health insurance ecommerce technology, and our delivery and sale to third parties of individual and family health insurance leads generated by our ecommerce platforms and our marketing activities.

⁽³⁾ Segment profit is calculated as revenue for the applicable segment less marketing and advertising, customer care and enrollment, technology and content and general and administrative operating expenses, excluding stock-based compensation expense, change in fair value of earnout liability, depreciation and amortization, and amortization of intangible assets, that are directly attributable to the applicable segment and other indirect marketing and advertising, customer care and enrollment and technology and content operating expenses, excluding stock-based compensation expense, depreciation and amortization, and amortization of intangible assets, allocated to the applicable segment based on usage.

⁽⁴⁾ Corporate consists of other indirect general and administrative operating expenses, excluding stock-based compensation expense, depreciation and amortization, which are managed in a corporate shared services environment and, because they are not the responsibility of segment operating management, are not allocated to the reportable segments.

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Medicare:						
Medicare Advantage	\$ 58,586	\$ 36,607	60 %	\$ 126,933	\$ 76,450	66 %
Medicare Supplement	9,893	8,256	20 %	25,063	16,853	49 %
Medicare Part D	1,158	1,765	(34) %	6,819	4,101	66 %
Total Medicare	69,637	46,628	49 %	158,815	97,404	63 %
Individual and Family: ⁽¹⁾						
Non-Qualified Health Plans	1,224	5,817	(79) %	2,670	8,446	(68) %
Qualified Health Plans	883	553	60 %	2,093	4,061	(48) %
Total Individual and Family	2,107	6,370	(67) %	4,763	12,507	(62) %
Ancillaries:						
Short-term	2,070	2,695	(23) %	4,286	4,011	7 %
Dental	596	928	(36) %	1,339	1,718	(22) %
Vision	187	295	(37) %	430	757	(43) %
Other	797	723	10 %	1,846	1,674	10 %
Total Ancillaries	3,650	4,641	(21) %	7,901	8,160	(3) %
Small Business	2,281	1,998	14 %	5,252	4,638	13 %
Commission Bonus	3,098	969	220 %	3,711	2,124	75 %
Total Commission Revenue	\$ 80,773	\$ 60,606	33 %	\$ 180,442	\$ 124,833	45 %

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

EHEALTH, INC.
SUMMARY OF SELECTED METRICS
COMMISSION REVENUE SUMMARY
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Medicare:				
Commission Revenue from Members Approved During the Period ⁽¹⁾	\$ 72,165	\$ 47,428	\$ 153,290	\$ 98,010
Net Commission Revenue from Members Approved in Prior Periods ⁽²⁾	685	346	9,664	1,413
Total Medicare Segment Commission Revenue	\$ 72,850	\$ 47,774	\$ 162,954	\$ 99,423
Individual, Family and Small Business:				
Commission Revenue from Members Approved During the Period ⁽¹⁾	\$ 4,362	\$ 3,785	\$ 10,158	\$ 10,010
Net Commission Revenue from Members Approved in Prior Periods ⁽²⁾	3,561	9,047	7,330	15,400
Total Individual, Family and Small Business Segment Commission Revenue	\$ 7,923	\$ 12,832	\$ 17,488	\$ 25,410
Total Commission Revenue	\$ 80,773	\$ 60,606	\$ 180,442	\$ 124,833

⁽¹⁾ These amounts include commission bonus revenue.

⁽²⁾ These amounts reflect our revised estimates of cash collections for certain members approved prior to the relevant reporting period that are recognized as adjustments to revenue within the relevant reporting period. These amounts include revenue associated with renewing small business health insurance members.

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

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2020	2019		2020	2019	
Medicare:						
Medicare Advantage	60,477	36,576	65 %	125,375	77,317	62 %
Medicare Supplement	8,794	8,769	— %	19,632	17,400	13 %
Medicare Part D	7,603	7,224	5 %	16,569	15,751	5 %
Total Medicare	76,874	52,569	46 %	161,576	110,468	46 %
Individual and Family:						
Non-Qualified Health Plans	2,798	1,934	45 %	7,618	8,005	(5) %
Qualified Health Plans	2,512	920	173 %	7,057	6,447	9 %
Total Individual and Family	5,310	2,854	86 %	14,675	14,452	2 %
Ancillaries:						
Short-term	9,446	14,129	(33) %	21,584	29,061	(26) %
Dental	7,722	9,478	(19) %	17,432	22,534	(23) %
Vision	3,764	4,428	(15) %	8,265	10,843	(24) %
Other	3,946	6,146	(36) %	8,271	11,358	(27) %
Total Ancillaries	24,878	34,181	(27) %	55,552	73,796	(25) %
Small Business	3,118	3,245	(4) %	6,721	7,497	(10) %
Total Approved Members	110,180	92,849	19 %	238,524	206,213	16 %

Approved Members

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

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Medicare:						
Medicare Advantage	57,232	36,122	58 %	143,531	85,653	68 %
Medicare Supplement	7,914	7,508	5 %	19,474	17,294	13 %
Medicare Part D	7,505	8,100	(7) %	71,210	48,896	46 %
Total Medicare	72,651	51,730	40 %	234,215	151,843	54 %
Individual and Family:						
Non-Qualified Health Plans	3,817	2,179	75 %	13,370	16,191	(17) %
Qualified Health Plans	3,095	1,017	204 %	9,052	8,407	8 %
Total Individual and Family	6,912	3,196	116 %	22,422	24,598	(9) %
Ancillaries:						
Short-term	9,572	13,695	(30) %	21,832	33,814	(35) %
Dental	6,935	9,150	(24) %	17,348	23,534	(26) %
Vision	3,646	4,601	(21) %	9,217	13,449	(31) %
Other	3,474	5,301	(34) %	7,787	11,192	(30) %
Total Ancillaries	23,627	32,747	(28) %	56,184	81,989	(31) %
Small Business	3,138	3,668	(14) %	8,294	10,660	(22) %
Total New Paying Members	106,328	91,341	16 %	321,115	269,090	19 %

New Paying Members

New paying members consist of approved members from the period presented and any periods prior to the period presented from whom we have received an initial commission payment during the period presented.

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

	As of June 30,		
	2020	2019	% Change
Medicare: ⁽¹⁾			
Medicare Advantage	407,243	291,171	40 %
Medicare Supplement	94,838	80,779	17 %
Medicare Part D	213,949	149,312	43 %
Total Medicare	716,030	521,262	37 %
Individual and Family ⁽²⁾	115,832	133,543	(13) %
Ancillaries: ⁽³⁾			
Short-term	23,203	21,513	8 %
Dental	118,198	134,044	(12) %
Vision	68,666	74,157	(7) %
Other	35,404	37,102	(5) %
Total Ancillaries	245,471	266,816	(8) %
Small Business ⁽⁴⁾	40,090	46,076	(13) %
Total Estimated Membership	1,117,423	967,697	15 %

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

⁽²⁾ To estimate the number of members on Individual and Family health insurance plans ("IFP"), we take the sum of (i) the number of IFP members for whom we have received or applied a commission payment for a month that may be up to three months prior to the date of estimation (after reducing that number using historical experience for assumed member cancellations over the period being estimated); and (ii) the number of approved members over that period (after reducing that number using historical experience for an assumed number of members who do not accept their approved policy and for estimated member cancellations through the date of the estimate). To the extent we determine we have received substantially all of the commission payments related to a given month during the period being estimated, we will take the number of members for whom we have received or applied a commission payment during the month of estimation.

⁽³⁾ To estimate the number of members on ancillary health insurance plans (such as short-term, dental and vision insurance), we take the sum of (i) the number of members for whom we have received or applied a commission payment for a month that may be up to three months prior to the date of estimation (after reducing that number using historical experience for assumed member cancellations over the period being estimated); and (ii) the number of approved members over that period (after reducing that number using historical experience for an assumed number of members who do not accept their approved policy and for estimated member cancellations through the date of the estimate). To the extent we determine we have received substantially all of the commission payments related to a given month during the period being estimated, we will take the number of members for whom we have received or applied a commission payment during the month of estimation. The one to three-month period varies by insurance product and is largely dependent upon the timeliness of commission payment and related reporting from the related carriers.

⁽⁴⁾ To estimate the number of members on small business health insurance plans, we use the number of initial members at the time the group was approved, and we update this number for changes in membership if such changes are reported to us by the group or carrier. However, groups generally notify the carrier directly of policy cancellations and increases or decreases in group size without informing us. Health insurance carriers often do not communicate policy cancellation information or group size changes to us. We often are made aware of policy cancellations and group size changes at the time of annual renewal and update our membership statistics accordingly in the period they are reported.

Estimated Membership

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

Health insurance carriers bill and collect insurance premiums paid by our members. The carriers do not report to us the number of members that we have as of a given date. The majority of our members who terminate their policies do so by discontinuing their premium payments to the carrier and do not inform us of the cancellation. Also, some of our members pay their premiums less frequently than monthly. Given the number of months required to observe non-payment of commissions in order to confirm cancellations, we estimate the number of members who are active on insurance policies as of a specified date.

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

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

	Three Months Ended June 30,		
	2020	2019	% Change
Medicare:			
Medicare Advantage ⁽¹⁾	\$ 945	\$ 983	(4) %
Medicare Supplement ⁽¹⁾	\$ 1,134	\$ 967	17 %
Medicare Part D ⁽¹⁾	\$ 244	\$ 257	(5) %
Individual and Family:			
Non-Qualified Health Plans ⁽¹⁾	\$ 184	\$ 167	10 %
Qualified Health Plans ⁽¹⁾	\$ 258	\$ 160	61 %
Ancillaries:			
Short-term ⁽¹⁾	\$ 163	\$ 95	72 %
Dental ⁽¹⁾	\$ 60	\$ 65	(8) %
Vision ⁽¹⁾	\$ 44	\$ 45	(2) %
Small Business ⁽²⁾	\$ 149	\$ 160	(7) %

Constrained Lifetime Value of Commissions Per Approved Member

⁽¹⁾ Constrained lifetime value ("LTV") of commissions per approved member represents commissions estimated to be collected over the estimated life of an approved member's policy after applying constraints in accordance with our revenue recognition policy. The estimate is driven by multiple factors, including but not limited to, contracted commission rates, carrier mix, estimated average plan duration, the regulatory environment, and cancellations of insurance plans offered by health insurance carriers with which we have a relationship. These factors may result in varying values from period to period.

⁽²⁾ For small business, the amount represents the estimated commissions we expect to collect from the plan over the following twelve months. The estimate is driven by multiple factors, including but not limited to, contracted commission rates, carrier mix, estimated average plan duration, the regulatory environment, and cancellations of insurance plans offered by health insurance carriers with which we have a relationship and applied constraints. These factors may result in varying values from period to period.

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

	Three Months Ended June 30,	
	2020	2019
Medicare:		
Medicare Advantage	7 %	7 %
Medicare Supplement	5 %	5 %
Medicare Part D	5 %	5 %
Individual and Family:		
Non-Qualified Health Plans	15 %	15 %
Qualified Health Plans	4 %	20 %
Ancillaries		
Short-term	20 %	— %
Dental	10 %	10 %
Vision	10 %	10 %
Small Business	— %	— %

Constraints on Lifetime Value of Commissions Per Approved Member

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

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

	Three Months Ended June 30,		
	2020	2019	% Change
Medicare:			
Estimated customer care and enrollment ("CC&E") cost per approved Medicare Advantage ("MA")-equivalent approved member ⁽¹⁾	\$ 354	407	(13) %
Estimated variable marketing cost per MA-equivalent approved member ⁽¹⁾	\$ 334	\$ 335	— %
Total Medicare estimated cost per approved member	\$ 688	\$ 742	(7) %
Individual and Family Plan ("IFP"):			
Estimated CC&E cost per IFP-equivalent approved member ⁽²⁾	\$ 105	160	(34) %
Estimated variable marketing cost per IFP-equivalent approved member ⁽²⁾	\$ 60	\$ 57	5 %
Total IFP estimated cost per approved member	\$ 165	\$ 217	(24) %

⁽¹⁾ MA-equivalent approved members is a derived metric with a Medicare Part D approved member being weighted at 25% of a Medicare Advantage member and a Medicare Supplement member based on their relative LTVs at the time of our adoption of Accounting Standards Codification 606 – *Revenue from Contracts with Customers* ("ASC 606"). We calculate the number of approved MA-equivalent members by adding the total number of approved Medicare Advantage and Medicare Supplement members and 25% of the total number of approved Medicare Part D members during the period presented.

⁽²⁾ IFP-equivalent approved members is a derived metric with a short-term approved member being weighted at 33% of a major medical individual and family health insurance plan member based on their relative LTVs at the time of our adoption of ASC 606. We calculate the number of approved IFP-equivalent members by adding the total number of approved qualified and non-qualified health plan members and 33% of the total number of short-term approved members during the period presented.

Expense Metrics Per Approved Member

Marketing initiatives are an important component of our strategy to increase revenue and are primarily designed to encourage consumers to complete an application for health insurance. Variable marketing cost represents direct costs incurred in member acquisition from our direct, marketing partners and online advertising channels. In addition, we incur customer care and enrollment expenses in assisting applicants during the enrollment process.

The numerator used to calculate each metric is the portion of the respective operating expenses for marketing and advertising and customer care and enrollment that is directly related to member acquisition for our sale of Medicare Advantage, Medicare Supplement and Medicare Part D prescription drug plans (collectively, the "Medicare Plans") and for all IFP plans including individual and family plans and short-term health insurance (collectively, the "IFP Plans"), respectively. The denominator used to calculate each metric is based on a derived metric that represents the relative value of the new members acquired. For Medicare Plans, we call this derived metric Medicare Advantage ("MA")-equivalent members, and for IFP Plans, we call this derived metric IFP-equivalent members. The calculations for MA-equivalent members and for IFP-equivalent members are based on the weighted number of approved members for Medicare Plans and IFP Plans during the period, with the number of approved members adjusted based on the relative LTV of the product they are purchasing. Since the LTV for any product fluctuates from period to period, the weight given to each product was determined based on their relative LTVs at the time of our adoption of ASC 606.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
GAAP net income (loss)	\$ (3,370)	\$ (5,754)	\$ 82	\$ (10,913)
Stock-based compensation expense ⁽¹⁾	6,676	4,678	15,390	7,907
Change in fair value of earnout liability ⁽²⁾	—	7,200	—	20,506
Amortization of intangible assets ⁽³⁾	373	547	920	1,094
Tax effect of non-GAAP adjustments ⁽⁴⁾	(1,943)	(4,407)	(4,338)	(9,094)
Non-GAAP net income	<u>\$ 1,736</u>	<u>\$ 2,264</u>	<u>\$ 12,054</u>	<u>\$ 9,500</u>
GAAP net loss per diluted share	\$ (0.13)	\$ (0.25)	\$ 0.00	\$ (0.48)
Stock-based compensation expense ⁽¹⁾	0.25	0.20	0.58	0.35
Change in fair value of earnout liability ⁽²⁾	—	0.31	—	0.91
Amortization of intangible assets ⁽³⁾	0.01	0.02	0.03	0.05
Tax effect of non-GAAP adjustments ⁽⁴⁾	(0.06)	(0.18)	(0.16)	(0.41)
Non-GAAP net income per diluted share	<u>\$ 0.07</u>	<u>\$ 0.10</u>	<u>\$ 0.45</u>	<u>\$ 0.42</u>
GAAP net income (loss)	\$ (3,370)	\$ (5,754)	\$ 82	\$ (10,913)
Stock-based compensation expense ⁽¹⁾	6,676	4,678	15,390	7,907
Change in fair value of earnout liability ⁽²⁾	—	7,200	—	20,506
Depreciation and amortization ⁽⁵⁾	858	733	1,681	1,388
Amortization of intangible assets ⁽³⁾	373	547	920	1,094
Other income, net ⁽⁶⁾	(452)	(699)	(825)	(1,256)
Benefit from income taxes ⁽⁷⁾	(2,432)	(5,858)	(4,480)	(9,325)
Adjusted EBITDA	<u>\$ 1,653</u>	<u>\$ 847</u>	<u>\$ 12,768</u>	<u>\$ 9,401</u>

Explanation of Adjustments

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

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

	Year Ending December 31, 2020	
	Low	High
GAAP net income	\$ 79.0	\$ 94.0
Stock-based compensation expense	31.0	29.0
Amortization of intangible assets	1.5	1.5
Tax effect of non-GAAP adjustments	(7.8)	(7.3)
Non-GAAP net income ⁽¹⁾	<u>\$ 103.7</u>	<u>\$ 117.2</u>
GAAP net income per diluted share	\$ 2.91	\$ 3.47
Stock-based compensation expense	1.14	1.07
Amortization of intangible assets	0.06	0.06
Tax effect of non-GAAP adjustments	(0.28)	(0.28)
Non-GAAP net income per diluted share ⁽²⁾	<u>\$ 3.83</u>	<u>\$ 4.32</u>
GAAP net income	\$ 79.0	\$ 94.0
Stock-based compensation expense	31.0	29.0
Depreciation and amortization	5.0	4.0
Amortization of intangible assets	1.5	1.5
Other income, net	(1.5)	(2.5)
Provision for income taxes	25.0	29.0
Adjusted EBITDA ⁽³⁾	<u>\$ 140.0</u>	<u>\$ 155.0</u>

Explanation of Adjustments

⁽¹⁾ Non-GAAP net income is calculated by adding stock-based compensation expense, amortization of intangible assets, and the income tax effect of non-GAAP adjustments to GAAP net income.

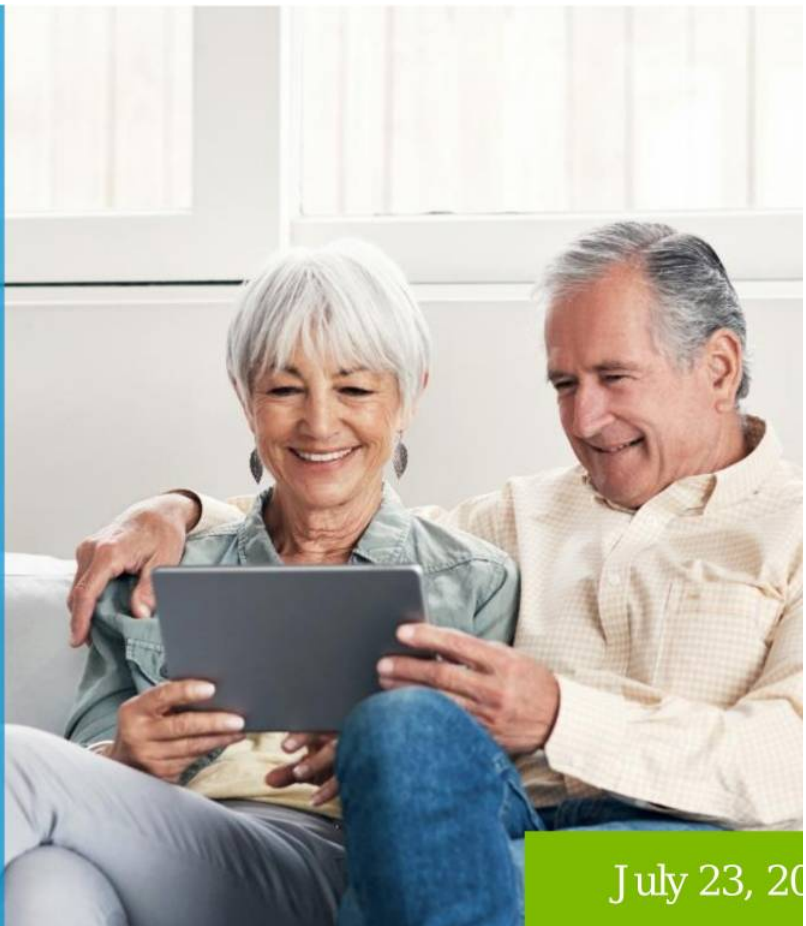
⁽²⁾ Non-GAAP net income per diluted share is calculated by adding stock-based compensation expense per diluted share, amortization of intangible assets per diluted share, and the income tax effect of non-GAAP adjustments per diluted share to GAAP net income per diluted share.

⁽³⁾ Adjusted EBITDA is calculated by adding stock-based compensation expense, depreciation and amortization, amortization of intangible assets, other income, net, and provision for income taxes to GAAP net income.

Q2 2020 Financial Results

Conference Call Slides

eHealth®



July 23, 2020

Safe Harbor Statement

Forward-Looking Statements

This presentation includes forward-looking statements within the meaning of the federal securities laws. Forward-looking statements generally relate to future events or our future financial or operating performance. Forward-looking statements in this presentation include, but are not limited to, the following: our long term financial goals, including projections and targets for revenue, adjusted EBITDA, adjusted EBITDA margin, operating cash flow, and lifetime values; our estimates regarding Medicare membership; our expectations of Medicare Major Medical online application percentage and Medicare Advantage Plan member turnover rate; and our guidance for the full year ending December 31, 2020, including our guidance for total revenue and revenue from our Medicare segment and our Individual, Family and Small Business segment, GAAP net income, Adjusted EBITDA, profit from Medicare segment and our Individual, Family and Small Business segment, Corporate shared service expense, cash used in operations and cash used for capital expenditures, GAAP net income per diluted share and non-GAAP net income per diluted share. Our expectations and beliefs regarding these matters may not materialize, and actual results in future periods are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks include those set forth in our filings with the Securities and Exchange Commission, including our latest Form 10-Q and 10-K. The forward-looking statements in this presentation are based on information available to us as of today, and we disclaim any obligation to update any forward looking statements, except as required by law.

Non-GAAP Information

This presentation includes both GAAP and non-GAAP financial measures. The presentation of non-GAAP financial information is not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP. A reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable GAAP financial measures is available in the earnings release issued by eHealth, Inc. on July 23, 2020 announcing its second quarter 2020 results. However, we have not reconciled our projected EBITDA from 2021 through 2024 to our projected GAAP net income, because we cannot reasonably predict certain items in the reconciliation, including stock-based compensation expense and provision to income taxes, and the reconciliation is not available without unreasonable effort. Management uses both GAAP and non-GAAP information in evaluating and operating its business internally and as such has determined that it is important to provide this information to investors.



eHealth Q2 2020 Highlights

Delivering strong revenue and Medicare enrollment growth, while reducing acquisition costs per approved member

Updating our 5-year financial plan given significant outperformance to date



Q2 2020 revenue grew 35% compared to Q2 2019



Medicare segment revenue grew 54% year-over-year, with segment profit growing 120%



Total Medicare approved members increased by 46% year-over-year and Medicare Advantage approved members increased 65%



Total Medicare estimated cost per approved member decreased 7% year-over-year



30% of Medicare major medical applications submitted online, compared to 11% in Q2 2019⁽¹⁾

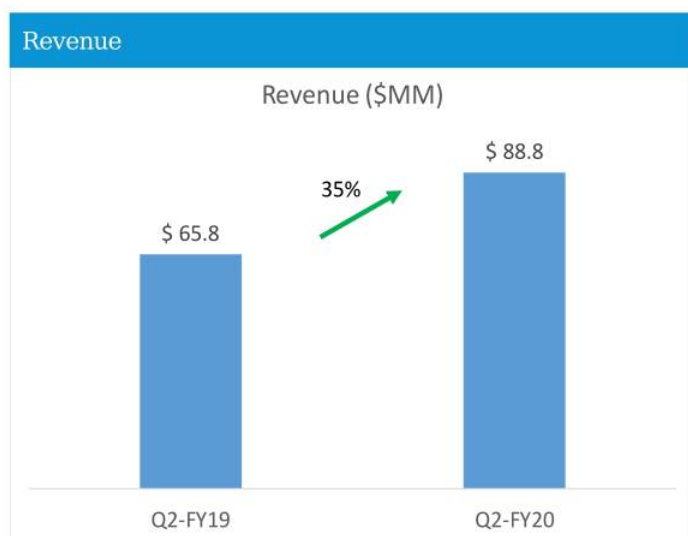


Increased 2020 annual revenue, adjusted EBITDA and GAAP net income guidance for the second time this year



⁽¹⁾ Represents a combination of unassisted and partially agent-assisted online enrollments.

Q2 2020 Revenue



Continue to **achieve rapid growth** in new Medicare enrollments driven by strong consumer demand on our platform and effective demand conversion through our omni-channel consumer engagement platform

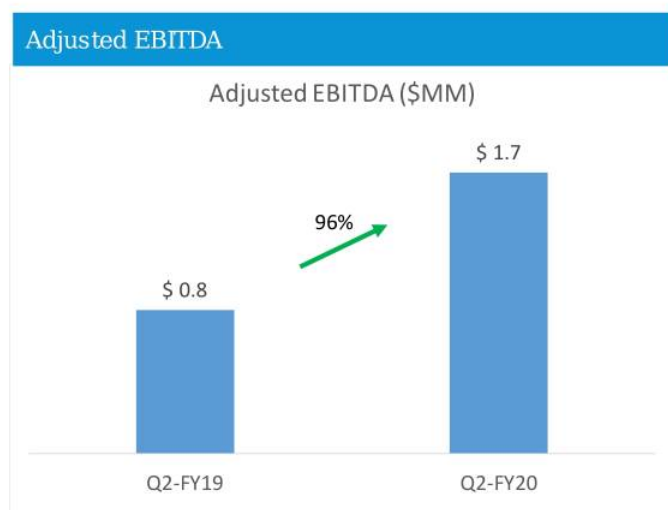
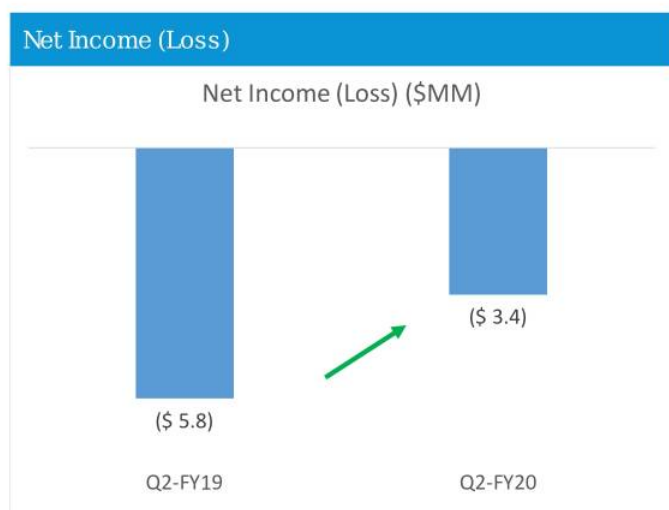


Direct-to-consumer channels providing customer traffic through digital advertising, direct response TV, direct mail, e-mail and organic search initiatives



Strategic partnerships with large retail pharmacies, hospitals and other affinity groups remain a substantial driver of new business

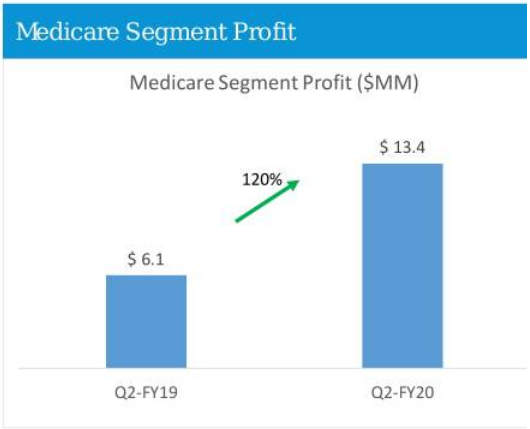
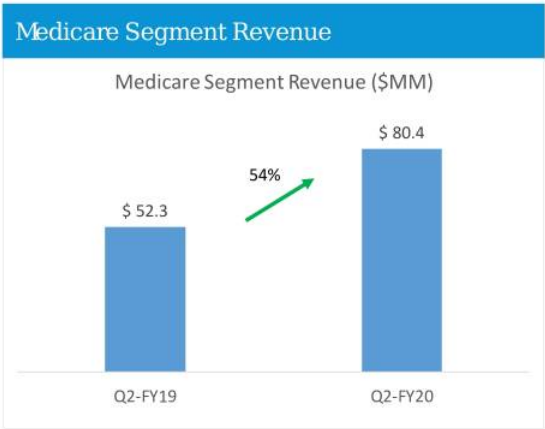
Q2 2020 Net Income (Loss) and Adj. EBITDA⁽¹⁾



(1) Adjusted EBITDA is calculated by adding stock-based compensation expense, change in fair value of earnout liability related to our acquisition of GoMedigap, depreciation and amortization, amortization of intangible assets, oil income, net, and benefit from income taxes to GAAP net loss.

Q2 2020 Medicare Segment Revenue and Profit

Our estimated number of revenue generating Medicare members was approximately 716,000 at the end of the second quarter, an increase of 37% year-over-year

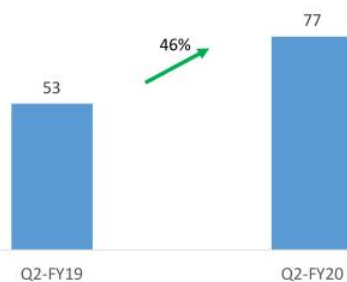


Q2 2020 Medicare Approved Members⁽¹⁾ and New Paying Members⁽²⁾

Strong Medicare Advantage enrollment growth driven by eHealth's omni-channel engagement model

Medicare Approved Members

Medicare Approved Members (000s)



Medicare New Paying Members

Medicare New Paying Members (000s)



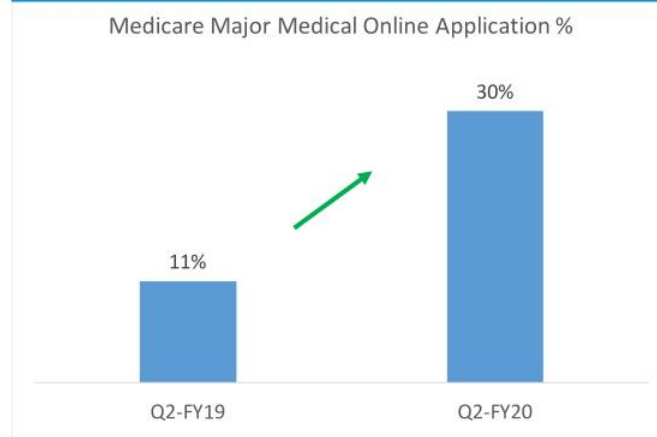
- (1) Approved members consist of the number of individuals on submitted applications that were approved by the relevant insurance carrier for the identified product during the period presented. Approved members may not pay for plan and become paying members.
- (2) New Paying Members consist of approved members from the period presented and any periods prior to the period presented from whom we have received an initial commission payment during the period presented.

Q2 2020 Medicare Major Medical Online Application%(1)

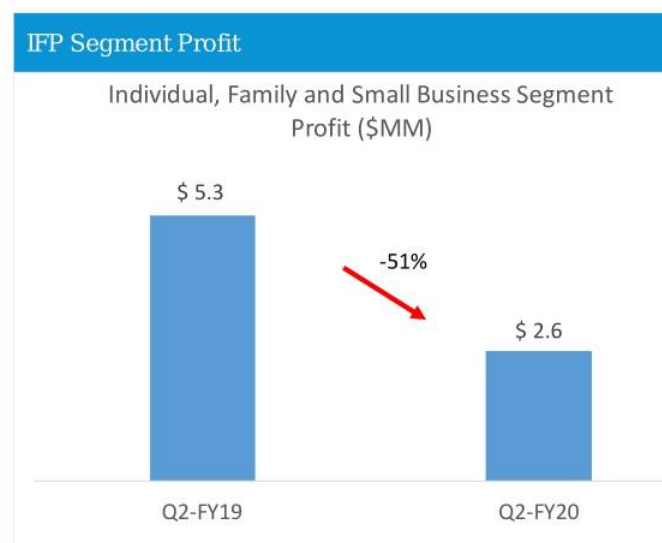
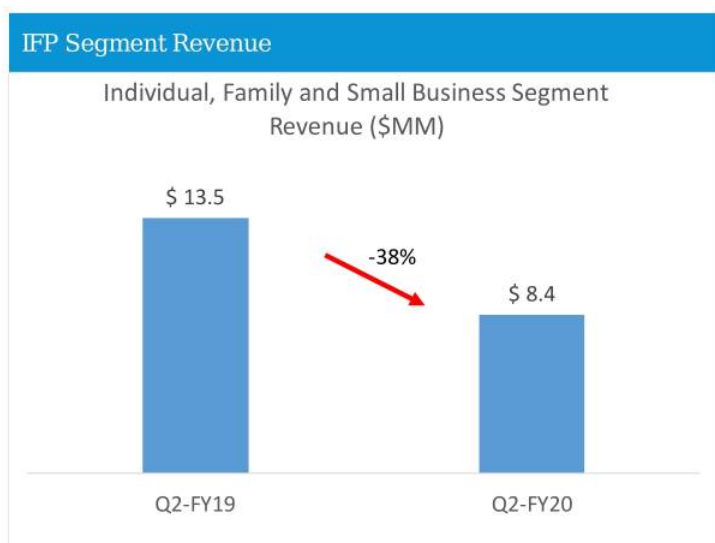


On track to achieve 37% online penetration for FY 2020, ahead of 34% goal

Medicare Major Medical Online Application %

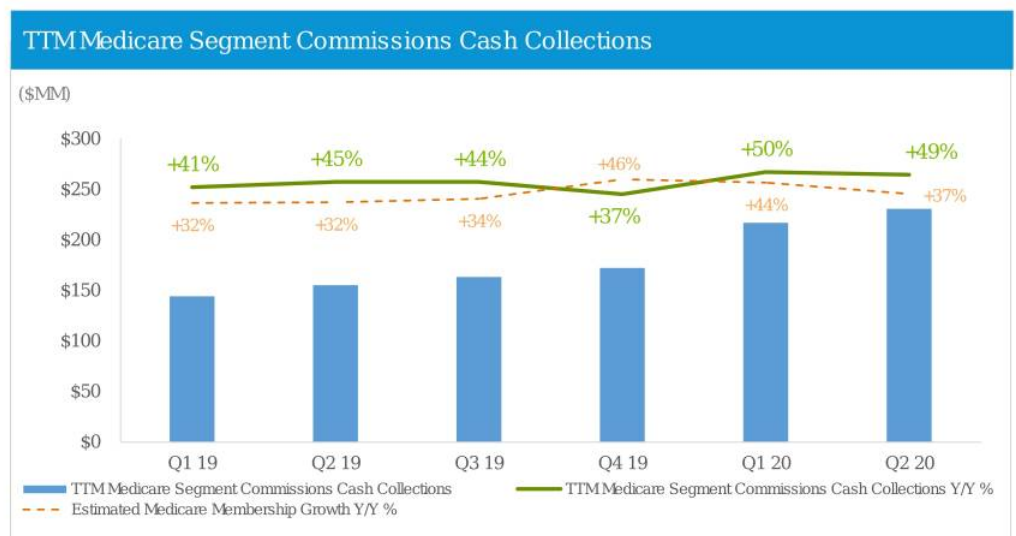


Q2 2020 IFP Segment Revenue and Profit



Trailing Twelve Months (“TTM”) Medicare Segment Commissions Cash Collections

Q2 20 TTM Medicare Segment commissions cash collections increased by 49% year-over-year, ahead of Q2 estimated Medicare membership growth of 37% year-over-year



Medicare Advantage Plan Member Turnover Trend Since Q4 2018

	Q42018	Q12019	Q22019	Q32019	Q42019	Q12020	Q22020
Approved Members ⁽¹⁾	83,376	40,741	36,576	35,171	167,073	64,898	
Estimated Beginning (Paying) Membership ⁽²⁾	235,269	276,357	280,763	291,171	309,180	404,694	4
New Paying Members ⁽³⁾	62,817	49,531	36,122	33,974	116,351	86,299	
Estimated Ending (Paying) Membership ⁽⁴⁾	276,357	280,763	291,171	309,180	404,694	404,262	4
Medicare Advantage Plan Member Turnover⁽⁵⁾	21,729	45,125	25,714	15,965	20,837	86,731	
Trailing Twelve Month Member Turnover ⁽⁶⁾	95,065	89,357	102,403	108,533	107,641	149,247	1
Average Trailing Twelve Month Estimated Membership Plus New Paying Members ⁽⁷⁾	262,856	276,949	296,491	316,501	348,362	389,638	4
Trailing Twelve Month Member Turnover Rate⁽⁸⁾	36%	32%	35%	34%	31%	38%	

Medicare Advantage Plan Member Turnover Trend Since Q4 2018 (cont'd)

- (1) Approved members consist of the number of individuals on submitted applications that were approved by the relevant insurance carrier for the identified product during the period presented. Approved members may not pay for their plan and become paying members.
- (2) Estimated Beginning (Paying) Membership is the Estimated Ending Membership for the period prior to the period of estimation. Membership is estimated using the methodology described in our periodic filings with the Securities and Exchange Commission.
- (3) New Paying Members consist of approved members from the period presented and any periods prior to the period presented from whom we have received an initial commission payment during the period presented.
- (4) Estimated Ending (Paying) Membership is the number of members we estimate as of the end of the period. Membership is estimated using the methodology described in our periodic filings with the Securities and Exchange Commission.
- (5) Medicare Advantage Plan Member Turnover for the period is derived as follows: Estimated Beginning Membership plus New Paying Members minus Estimated Ending Membership.
- (6) Trailing Twelve Month Member Turnover is the sum of Medicare Advantage Plan Member Turnover for the prior twelve months.
- (7) Average Trailing Twelve Month Estimated Membership Plus New Paying Members is the sum of (i) trailing twelve month Estimated Beginning Membership, plus (ii) New Paying Members for the trailing twelve month, divided by 4.
- (8) Trailing Twelve Month Member Turnover Rate is Trailing Twelve Month Turnover divided by Average Trailing Twelve Month Estimated Membership Plus New Paying Members.

Increasing 2020 Guidance

For the full year ending December 31, 2020, we expect:

Total revenue in the range of \$630M - \$670M, compared to the previous guidance of \$600M - \$640M.

- Medicare segment revenue in the range of \$583M - \$619M, compared to the previous guidance of \$553M - \$589M.
- Individual, Family and Small Business segment revenue in the range of \$47M - \$51M, consistent with previous guidance.

Adjusted EBITDA⁽¹⁾ in the range of \$140M - \$155M, compared to the previous guidance of \$125M - \$140M.

Medicare segment profit⁽²⁾ in the range of \$176M to \$193M, compared to the previous guidance of \$157M - \$174M, and Individual, Family and Small Business segment profit in the range of \$17M - \$18M, consistent with previous guidance.

Corporate⁽³⁾ shared service expenses, excluding stock-based compensation expense and depreciation and amortization, in the range of \$53M to \$56M, compared to the previous guidance of \$49M - \$52M.

Cash used in operations in the range of \$85M - \$95M, compared to previous guidance of \$61M - \$64M, and cash used for capital expenditures is expected to be in the range of \$23M - \$25M, compared to previous guidance of \$18M - \$20M.

GAAP net income in the range of \$79M - \$94M, compared to previous guidance of \$70M - \$85M.

GAAP net income per diluted share in the range of \$2.91 to \$3.47, compared to previous guidance of \$2.55 to \$3.10 per share.

Non-GAAP net income per diluted share⁽⁴⁾ in the range of \$3.83 to \$4.32, compared to previous guidance of \$3.41 to \$3.90 per share.



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

(2) Segment profit is calculated as income for the applicable segment less marketing and advertising, customer care and enrollment, technology and content and general and administrative operating expenses, excluding stock-based compensation expense, change in fair value of contract liability, depreciation and amortization of intangible assets, that are directly attributable to the applicable segment and other indirect marketing and advertising, customer care and enrollment and technology and content operating expenses, excluding stock-based compensation expense, depreciation and amortization, and amortization of intangible assets allocated to the applicable segment based on usage.

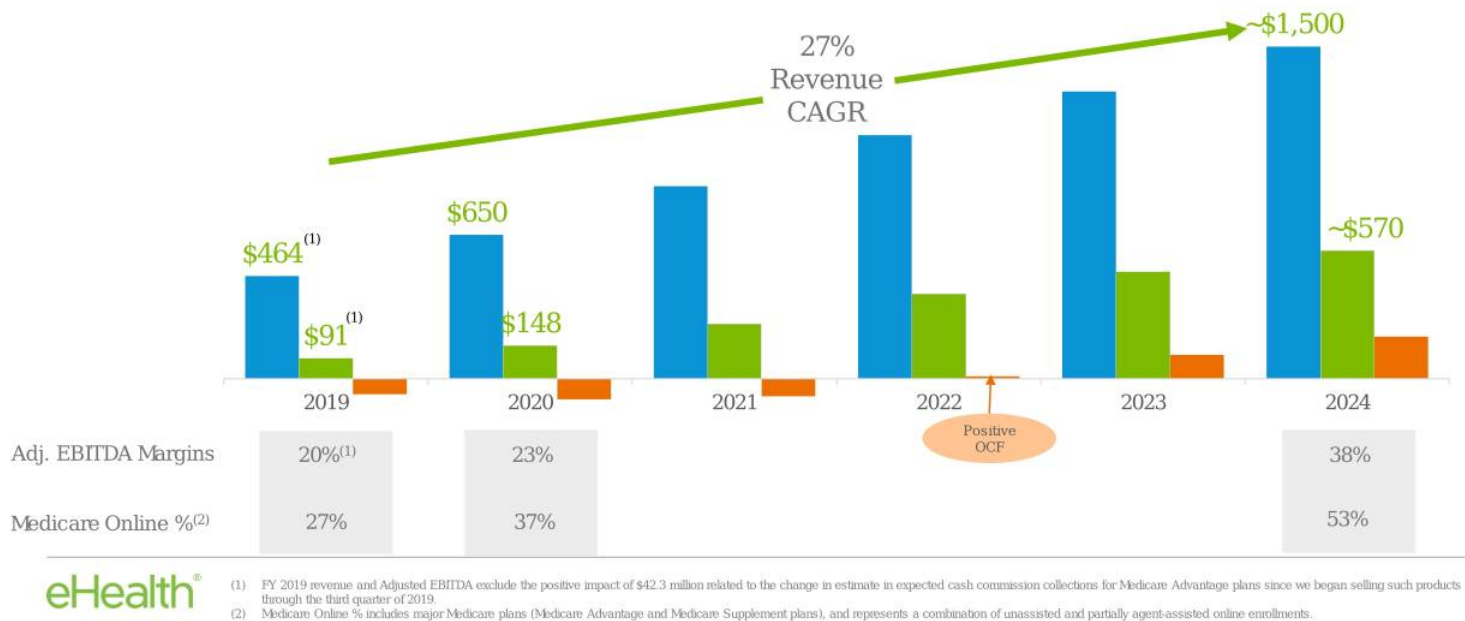
(3) Corporate consists of other indirect General and Administrative operating expenses, excluding stock-based compensation expense and depreciation and amortization, which are managed in a corporate shared services environment and, since they are not the responsibility of segment operating management,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

(4) Non-GAAP net income per diluted share is calculated by adding stock-based compensation expense per diluted share, amortization of intangible assets per diluted share and the income tax effect of non-GAAP adjustments to GAAP net income per diluted share.

Long Term Financial Goals – Current Case

Revised 5-year Financial Plan for 2020-2024

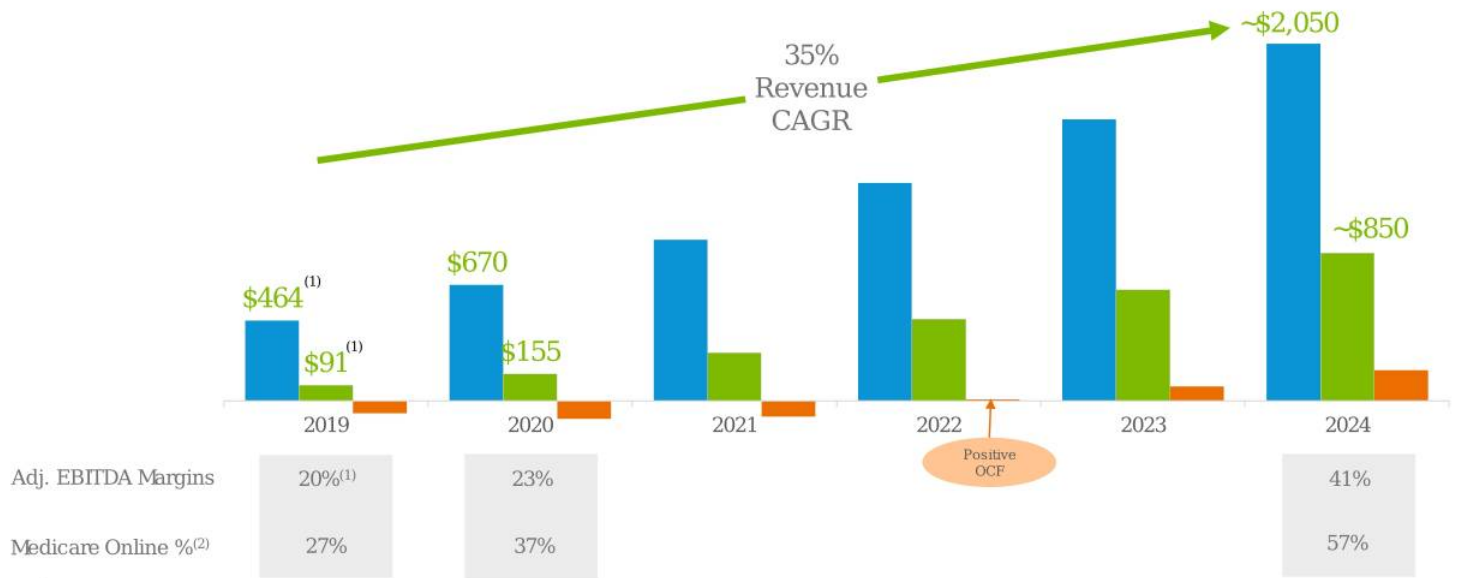
Revenue (\$MM) Adj. EBITDA (\$MM) Operating Cash Flow (\$MM)



Long Term Financial Goals – High Case

Revised 5-year Financial Plan for 2020-2024

■ Revenue (\$MM) ■ Adj. EBITDA (\$MM) ■ Operating Cash Flow (\$MM)



eHealth®

(1) FY 2019 revenue and Adjusted EBITDA exclude the positive impact of \$42.3 million related to the change in estimate in expected cash commission collections for Medicare Advantage plans since we began selling such products through the third quarter of 2019.

(2) Medicare Online % includes major Medicare plans (Medicare Advantage and Medicare Supplement plans), and represents a combination of unassisted and partially agent-assisted online enrollments.

We have significantly raised expectations across both revenue and EBITDA



(1) "Previous" refers to projections eHealth presented during analyst day in May 2019

Medicare Advantage LTV Forecast with Estimated Impact of Near Term Initiatives

Expected rate increases and estimated total impact of near term initiatives would improve FY 2021 MA LTV to above FY 2019 level

Revised 5-year financial plan assumes FY 2021 MA LTV to return to FY 2019 MA LTV

